

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

EAST AFRICA TAX GUIDE

2024/25

Contents

| | |
|---|----|
| PERSONAL TAX..... | 3 |
| EMPLOYER'S OTHER OBLIGATIONS | 9 |
| INCOME TAX – CORPORATIONS | 11 |
| CAPITAL ALLOWANCES..... | 15 |
| TRANSFER PRICING..... | 18 |
| PERMANENT ESTABLISHMENT | 19 |
| CAPITAL GAINS TAX..... | 21 |
| MOTOR VEHICLE ADVANCE TAX..... | 22 |
| PAYMENT OF TAXES..... | 24 |
| SELF ASSESSMENT RETURN (SAR) | 25 |
| COUNTRY BY COUNTRY REPORTING..... | 25 |
| GAINS OR PROFITS OF BUSINESS IN A PREFERENTIAL TAX REGIME | 26 |
| STANDARDS LEVY, CUSTOMS AND EXCISE | 26 |
| WITHHOLDING TAX RATES | 34 |
| REFUND OF OVERPAID TAX..... | 39 |
| SET-OFF OF TAX | 39 |
| STAMP DUTY | 40 |
| VALUE ADDED TAX..... | 42 |
| TAX PENALTIES AND INTEREST | 45 |
| OTHER..... | 48 |

Caveat

The information contained herein is for guidance only and should not be used as a substitute for professional advice. Whilst every care has been exercised in ensuring the accuracy and the completeness of the information contained herein, RSM Eastern Africa and RSM (Eastern Africa) Consulting Ltd, their group companies and their staff involved in the preparation of this information will not accept any liability for any errors or omissions contained herein whether caused by negligence or otherwise; or for any loss however caused or sustained by anyone acts or refrains from acting as a result of placing reliance on the contents of this calendar.

We have endeavoured to ensure that the filing dates are correct at the time of printing and may be subject to change. Users are requested to refer to the latest information published by the relevant authorities as RSM Eastern Africa LLP and RSM (Eastern Africa) Consulting Ltd will not accept any liability for any penalties suffered by users as a result of relying on the filing dates stated in this guide. Moreover, there are a number of other taxes, levies and licence fees payable to the government and local authorities which may not have been included in this tax guide.

PERSONAL TAX

KENYA

Resident Individual

An individual

- (i) that has a permanent home in Kenya and was present in Kenya for any period in a particular year of income under consideration; or
- (ii) that has no permanent home in Kenya but:
 - (a) was present in Kenya for a period or periods amounting in the aggregate to 183 days or more in that year of income; or
 - (b) was present in Kenya in that year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income.

Individual Income Tax Rates

| Taxable Income From 1 st July 2023 KShs. p.a | Rate % | Cumulative Tax KShs. p.a |
|--|-----------|--|
| 0 – 288,000 | 10 | 28,800 |
| 288,001 – 388,000 | 25 | 53,800 |
| 388,001 – 6,000,000 | 30 | 1,737,400 |
| 6,000,001 – 9,600,000 | 32.5 | 2,907,400 |
| Over 9,600,000 | 35 | |
| Reliefs | | 2024/25 KShs. p.a |
| Personal relief | | April 2020 onwards – 28,800 p.a (2,400 p.m) |
| Mortgage interest deduction on owner occupied property (for purchase or improvement) – maximum | | December 2024 onwards 360,000 |
| Life, health and education insurance relief – 15% of premium to a maximum of | | 60,000 |

Tax Free Benefits

- Medical benefits provided to a full-time employee and a whole-time service director (holding less than 5% shares), including their beneficiaries (spouse and up to 4 children below 21 years).
- Medical benefits provided to a non-whole-time service director, partner and sole proprietor, including their beneficiaries, subject to a maximum value of KShs. 1 million.
- Amounts paid by an employer as gratuity or similar payment in respect of employment into a registered pension scheme subject to a maximum of KShs. 360,000 p.a (up to November 2024 KShs. 240,000).
- Education fees of an employee's dependents or relatives, if taxed on the employer.
- International passage cost for non-citizen employees recruited outside Kenya solely to serve the employer.
- Non-cash benefits not exceeding KShs. 60,000 p.a (up to November 2024 KShs. 240,000).
- KShs. 2,000 per day towards subsistence for a person working outside usual place of work (support required).
- Travelling allowances received by an employee to perform official duties if the travelling allowances are computed based on the standard mileage rate approved by the Automobile Association of Kenya as they are deemed to be reimbursements.
- Meals provided at employer's canteen or by a third party registered taxpayer both at the employer's and at third party premises where the value of the meal does not exceed KShs. 60,000 p.a per employee (up to November 2024 KShs. 36,000).
- The first KShs. 150,000 p.m. of total income, and deduction of up to KShs. 50,000 p.m. for non-reimbursed hospital admission costs, drugs treatment and home care services for disabled persons registered with the National Council for Persons with Disabilities and approved by the Commissioner. Exemption valid for 5 years.
- Deduction of 1/3 of employment income of a non-citizen resident employee, of a non-resident company or partnership trading for profit approved by the Commissioner, who is absent from Kenya for an aggregate of 120 days or more in a year of income and whose employment costs are not deductible in ascertaining the employer's income chargeable to tax.
- Premiums paid for group life policy cover where they don't confer a benefit on the employee or any of his dependents.
- Income earned by individuals registered under the Ajira Digital Program for a period of 3 years beginning 1st January 2020, provided qualifying members remit the KShs. 10,000 subscription upon registration.
- Club entrance and subscription fees if disallowed against the employer's income.
- Contributions made by employee as Affordable Housing Levy are eligible as allowable deductions when computing employee's taxable income effective December 2024.
- Contributions made by employee to a post-retirement medical fund up to a limit of KShs. 15,000 are eligible as allowable deductions when computing employee's taxable income effective December 2024.

- Contributions made by employee to the Social Health Insurance Fund are eligible as allowable deductions when computing employee's taxable income effective December 2024.

Taxable Employment Benefits

All benefits are taxable at the higher of cost to the employer of providing the benefit and the fair market value.

a) Motor vehicles

- Taxed at the higher of 2% p.m. of the initial cost of the vehicle and the prescribed scale rates.

| Motor Cars | Engine Size | Month KShs. | Year KShs. |
|--------------------------------|----------------|-------------|------------|
| Saloon Hatch Backs & Estates | Up to 1200cc | 3,600 | 43,200 |
| | 1201 to 1500cc | 4,200 | 50,400 |
| | 1501 to 1750cc | 5,800 | 69,600 |
| | 1751 to 2000cc | 7,200 | 86,400 |
| | 2001 to 3000cc | 8,600 | 103,200 |
| | Over 3000cc | 14,400 | 172,800 |
| Pickups, panel van unconverted | | | |
| | Up to 1750cc | 3,600 | 43,200 |
| | Over 1750cc | 4,200 | 50,400 |
| Land Rover and Cruisers | | 7,200 | 86,400 |

Note: Range rovers and cars of similar nature are classified as saloons

- Leased and hired vehicles are taxed at the cost of hiring or leasing the vehicle.
- Where there is restricted use, the Commissioner may upon application, determine a lower rate based on usage.

b) Domestic benefits

Benefits including staff meals, club subscriptions, house helps, water, security, electricity etc. are taxable at the higher of cost or fair market value. The Commissioner has prescribed the value of benefits where the cost to the employer is difficult to ascertain. The prescribed rates are:

- Telephone (incl. mobile) 30% of cost to employer
- Furniture 1% of cost to employer
- Water (provided communally) KShs. 500 (KShs. 200 for agricultural employees)
- Electricity (provided communally) KShs. 1,500 (KShs. 900 for agricultural employees)

c) Housing

- The higher of market rental, actual rent paid and:
 - * For directors: 15% of total income.
 - * For whole-time service directors: 15% of total employment income.
 - * For employees: 15% of total employment income.
- Agricultural employees: 10% of total employment income.
- Where the total employment income exceeds KShs. 600,000 p.a, the rental benefit is the higher of rent paid and the fair market value.
- Rental received from an employee is deducted in calculating housing benefit.

d) Employee loans

- Loans granted after 1st June 1998 are subject to Fringe Benefit Tax payable by the employer at the resident corporate tax rate on the difference between the market interest rate and the interest paid by the employee.

e) Registered Employee Share Ownership Plan

- Taxable on the employee based on higher of the cost to the employer or the fair market value of the benefit. The benefit accrues when the employee exercises the option.

f) Shares issued in lieu of cash emoluments by start-ups

- Taxation of benefit of shares issued by a start-up to its employees in lieu of cash emolument shall be deferred and taxed within thirty days of the earlier of:
 - the expiry of five years from the end of the year of the award of the shares;
 - the disposal of the shares by the employee; or
 - the date the employee ceases to be an employee of the eligible start-up.

- The value of the taxable benefit shall be the fair market value of the shares at the earlier of the occurrence of the events contemplated in paragraphs (a), (b) or (c); or where the fair market value is not available, the Commissioner shall determine the value of the shares based on the last issued financial statements.

g) Club entrance and subscription fees

Club entrance and subscription fees allowed against the employer's income are taxable on the employee.

Pension and Provident Funds

- Deductible contributions to registered funds in respect of employees is the lower of 30% of pensionable income, actual contribution or KShs. 360,000 p.a (KShs. 240,000 up to November 2024).
- From 1st July 2004, employees of tax exempt bodies to be taxed on the contributions made on their behalf by employers to an unregistered fund or on the excess contribution made to a registered fund.
- The first KShs. 300,000 p.a of the total pension or retirement annuities received by a resident taxpayer are exempt from tax.
- Monthly pension payments to persons who have attained retirement age or withdrawals prior to attainment of retirement age due to ill health or after twenty years from the date of registration as a member of a fund or payment of gratuity or other allowances under public pension scheme are tax exempt effective 27th December 2024.
- Tax exempt lump sum withdrawals:
 - Lump sum commuted from a registered pension fund – the first KShs. 600,000.
 - Withdrawal from a registered pension fund upon termination of employment – KShs. 60,000 for each year of pensionable service subject to a maximum of KShs. 600,000.
 - Withdrawal from a registered provident fund (or defined contribution fund) – KShs. 60,000 for each year of pensionable service subject to a maximum of KShs. 600,000 plus all lump sums from segregated funds on contributions made prior to 1st January 1991.
 - A one-off final lump sum payment from a registered fund to the estate of a deceased – the first KShs. 1.4 million.
 - The first KShs. 600,000 of NSSF benefits.
 - Withdrawals above these limits are subject to withholding tax based on length of service.
- Any surplus refunded to/ withdrawn by an employer from a registered fund is taxable on the employer.

UGANDA

Resident Individual

An individual is a resident individual for a year of income if that individual has (i) a permanent home in Uganda (ii) is present in Uganda for at least 183 days in any 12-month period that commences or ends during a year of income or during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income (iii) is an employee of GOU posted abroad during the year of income.

Income Tax Rates

| Taxable Income UGX. per month | | | Rate % |
|----------------------------------|---|---------|--|
| 0 | – | 235,000 | Nil |
| 235,001 | – | 335,000 | 10% of the amount by which chargeable income exceeds UGX. 235,000 per month |
| 335,001 | – | 410,000 | UGX. 10,000 plus 20% of the amount by which chargeable income exceeds UGX. 335,000 per month |
| Over 410,001 | | | (a) UGX. 25,000 plus 30% of the amount by which chargeable income exceeds UGX. 410,000 per month and (b) Where the chargeable income of an individual exceeds UGX. 10,000,000 per month, an additional 10% charged on the amount by which chargeable income exceeds UGX. 10,000,000 per month |



Non-Resident Individual Income Tax Rates

| Taxable Income UGX. per month | | | Rate % |
|----------------------------------|---|---------|--|
| 0 | – | 335,000 | 10% |
| 235,001 | – | 335,000 | UGX. 33,500 plus 20% of the amount by which chargeable income exceeds UGX. 335,000 per month |
| 335,001 | – | 410,000 | (a) UGX. 48,500 plus 30% of the amount by which chargeable income exceeds UGX. 410,000 per month and (b) Where the chargeable income of an individual exceeds UGX. 10,000,000 per month, an additional 10% charged on the amount by which chargeable income exceeds UGX. 10,000,000 per month |

Tax Exempt Employment Income

The following employment income including benefits is exempt from tax per the ITA for full-time employees and a whole-time service director (holding less than 5% shares and devotes substantially whole of the time to employment):

- International passage cost (at appointment, termination and annual leave) cost for non-citizen employees recruited outside Uganda solely to serve the employer.
- Reimbursement of an employee's medical expenses including a premium or other amounts paid for medical insurance.
- Life insurance premiums paid by a taxable employer for the benefit of an employee or his or her dependants, provided this is added back on the employers' tax computation (for tax exempt organisations, the benefit is chargeable on the employee).
- Any allowance given for, and which does not exceed the cost actually or likely to be incurred, or reimbursement or discharge of expenditure incurred by the employee on – accommodation and travel expenses or meals and refreshments, while undertaking travel in the course of performing duties of employment.
- The value of any meal or refreshment provided by an employer to an employee in a canteen operated on behalf of the employer solely for the benefit of employees and available to all employees without discrimination.
- Any benefit granted by the employer to the employee during a month that is less than UGX. 10,000.
- A (taxable) employer's contribution for the benefit of the employee or any of his or her dependants made to a retirement fund (established by an Act of Parliament).
- The value of a right or option to acquire shares granted to an employee under an employee share acquisition scheme.
- For an employee in employment for at least 10 years, 25 % gratuity payments shall be considered tax exempt and the remaining 75% shall be subjected to tax.

Taxable Employment Benefits – all employees

An employee will be taxed on the benefits in kind highlighted below.

(a) Motor vehicles

$$(20\% \times A \times B/C) - D$$

Where:

- is the market value of the motor vehicle at the time when first provided, depreciated on a reducing balance basis at a rate of 35% per annum for the subsequent years.
- is the number of days in the year of income during which the motor vehicle was used or available for use for private purposes for all or a part of the day.
- is the number of days in the year of income.
- is any payment made by the employee for the benefit.

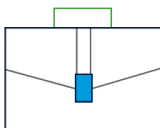
(b) Provision of domestic help

The value of the benefits is the total employment income paid to the domestic assistant in respect of the services rendered to the employee reduced by any payment made by the employee for the benefit.

(c) Housing

Where a benefit provided by an employer consists of the provision of accommodation or housing, the value of the benefit is the lower of:

- the market rent of the accommodation or housing reduced by any payment made by the employee for the benefit or;
- 15% of the employment income, including the amount referred to above paid by the employer to the employee for the year of income in which accommodation or housing was provided.



(d) **Employee loan benefit in kind**

For a loan or loans in total exceeding UGX. 1 million at a rate of interest below the statutory rate, the value of the benefit is the difference between the interest paid during the year of income, if any, and the interest which would have been paid if the loan had been made at the statutory rate for the year of income.

$$\text{Loan benefit} = (Ra - Rb) \times L \times Ma / Mb$$

Where:

Ra = Statutory rate (Bank of Uganda's discount rate at the commencement of the year of income)

Rb = Rate as provided by the employer

L = Loan

Ma = Months in the year of income

Mb = Number of months in the year (12 months)

(e) **Waiver of employee obligation**

Where an employer waives a debt wholly or partly, the relief granted is the value of the taxable benefit.

(f) **Transfer or use of property or provision of service**

Where a benefit provided by an employer consists of the transfer or use of property or the provision of services, the value of the benefit is the market value of the property or services, at the time the benefit is provided, reduced by any payment made by the employee for the benefit.

(g) **Provision of utilities (in respect of the employee's residence)**

The value of the benefit is the cost to the employer of providing the utilities reduced by any payment made by the employee for the utility.

TANZANIA

Resident Individual

An individual is a resident in the United Republic of Tanzania for a year of income if the individual:

- has a permanent home in the United Republic and is present in the United Republic during any part of the year of income;
- is present in the United Republic during the year of income for a period or periods amounting in aggregate to 183 days or more;
- is present in the United Republic during the year of income and in each of the two preceding years of income for periods averaging more than 122 days in each such year of income; or
- is an employee or an official of the Government of the United Republic of Tanzania posted abroad.

Individual Income Tax Rates

| Taxable Income Year 2024–2025 TZS. p.m. | | Rate % | Tax on Minimum Band TZS. p.m. |
|---|---|-----------|----------------------------------|
| 0 | – | 270,000 | Nil |
| 270,001 | – | 520,000 | 8 |
| 520,001 | – | 760,000 | 20 |
| 760,001 | – | 1,000,000 | 25 |
| Over 1,000,001 | | 30 | 128,000 |

The taxable pay is computed after deducting the employee's share of the contribution to the approved Retirement Fund.

Note:

- Donation made by an employee as per Section 12 of the Education Fund Act is exempt from tax, subject to approval from the Commissioner General.
- Income of a non-resident employee of a resident employer is subject to withholding tax at 15%.
- The total income of a non-resident individual is chargeable at the rate of 30%.
- The monthly income includes basic salary, overtime, bonus, commission, allowance e.g. house allowance or transport allowance and benefits in kind received in lieu of employment but after deducting employee's share of the contribution to the approved Retirement Fund.
- Secondary employment is chargeable at the rate of 30%.

Presumptive Tax Rates for Individuals (Entrepreneurs)

| Turnover Year 2024–2025 TZS. p.a | | | Improper maintenance of documents and accounting records | Proper maintenance of documents and accounting records |
|--|---|-------------|--|---|
| 0 | – | 4,000,000 | Nil | Nil |
| 4,000,001 | – | 7,000,000 | TZS 100,000 | 3% of the turnover in excess of TZS 4,000,000 |
| 7,000,001 | – | 11,000,000 | TZS 250,000 | TZS 90,000 plus 3% of the turnover in excess of TZS 7,000,000 |
| 11,000,001 | – | 100,000,000 | 3.5% of the turnover | |

Note:

- Small vendors and service providers conducting business in an informal sector with turnover below TZS 4,000,000 such as hawkers (Machinga), shall be registered and be issued with identification cards.
- The rates above shall not be applicable to individuals conducting business of professionals, technical, management, construction and training services. An individual engaging in these activities, irrespective of the turnover, shall be taxed under the self-assessment tax system.
- Where turnover exceeds TZS 100,000,000 p.a, the taxpayer is obliged to prepare audited financial statements and submit the same with the final return of income.
- Any person whose turnover exceeds TZS 11,000,000 p.a is obliged to maintain proper documents/accounting records and acquire and use the Electronic Fiscal Device (EFD) at all outlets and points of sale (POS).
- A person whose turnover is below TZS 11,000,000 shall issue manual receipts in duplicate which shall include details such as the date, name of the seller, seller's TIN, full description of the goods/services rendered, name of the buyer, address of the buyer, TIN and VRN of the buyer (where applicable) and any other particulars the Commissioner General may specify.

Taxable Employment Benefits

a) Housing

Lower of:

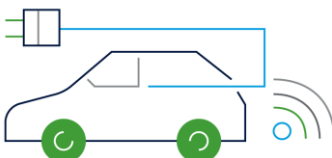
- rental market value of the premises and
- higher of the following:
 - 15% of employee's total annual income before housing benefit; and
 - the expenditure claimed as deduction by the employer in respect of the premises.

b) Motor vehicles

Taxed according to engine size and vehicle age on the following annual values:

| Engine size | Up to 5 years old TZS. p.a | Over 5 years old TZS. p.a |
|---------------|-------------------------------|------------------------------|
| Up to 1000cc | 250,000 | 125,000 |
| 1000 – 2000cc | 500,000 | 250,000 |
| 2000 – 3000cc | 1,000,000 | 500,000 |
| Over 3000cc | 1,500,000 | 750,000 |

Note: benefit is not chargeable where the employer does not claim any deduction in respect of the ownership, operation or maintenance of the vehicle



- c) **Loans** – Excess of “statutory rate” over actual interest rate paid. The benefit is chargeable if the loan availed is in excess of 3 months’ basic salary and/or is repayable beyond 12 months.
- d) **Excluded benefits/income**
 - Foreign sourced income of expatriate who is a resident for less than two years.
 - Exempt amounts and payments where withholding tax is a final tax.
 - Cafeteria services provided on the employer’s premises and available on a non-discriminatory basis.
 - Any subsistence, travelling, entertainment or other allowance expended wholly and exclusively for the purposes of business.
 - Passages where the individual is domiciled more than 20 miles from the place of employment (for employee, spouse and up to 4 children).
 - Retirement contributions and payments exempted under the Public Service Retirement Benefits Act.
 - Payment that is unreasonable or administratively impracticable for the employer to account for or to allocate to the recipients.
 - Payment for medical services or insurance for medical services to employees, spouse and up to 4 children if provided on a non-discriminatory basis.



EMPLOYER'S OTHER OBLIGATIONS

KENYA

National Social Security Fund

- 12% of the pensionable earnings of an employee; 50% is payable by the employee and 50% by the employer subject to an upper limit of KShs. 8,640 for employees earning above KShs. 72,000.(Up to January 2025 KShs. 4,320 for employees earning above KShs. 36,000).
- Pensionable earnings are the lower of the member’s monthly wage and the Upper Earnings Limit (UEL).
- Upper Earnings Limit is the average level of earnings equal to 4 times the National Average Earnings (NAE). Graduated rates apply for the first 4 years.
- The contributions relating to the earnings below the Lower Earnings Limit (LEL) of the earnings (a maximum of KShs. 960) are credited to Tier I account while the balance of the contribution for earnings between the LEL and the UEL (up to a maximum of KShs. 7,680) will be credited to Tier II account.
- Compulsory contribution to the NSSF of Tier 1 contributions up to a maximum of 6% of the Lower Earnings Limit (set currently at KShs. 8,000).
- Tier 2 Contributions being the difference between the total contribution and the Tier 1 contribution can be contributed to either the NSSF or any other registered retirement benefit scheme.
- Payable by 9th of following month. Compulsory registration for all employers irrespective of the number of employees. Voluntary registrations permitted for self-employed workers.

Affordable Housing Levy

- Employers and employees to contribute to the Affordable Housing Levy at the rate of 1.5% of the employee's monthly gross salary.
- The burden is on the employer to deduct and remit the Levy within 9 working days after the end of the month in which the payments are due. Employers who fail to comply with this provision shall be penalized at 3% of the unpaid funds, for every month the funds remain unpaid.
- The due date for remittance is 9th day of the following month.
- Effective date: 19th March 2024.

National Industrial Training Authority (NITA) Levy

- Payable by every employer at KShs. 50 per employee including an apprentice, indentured learner, other trainee, temporary, seasonal and casual worker.
- Due by 9th of the month following the month of deduction.
- Not applicable to those who pay catering levy.

Social Health Authority (From 1st October 2024)

- Employees to contribute to the Social Health Authority at the rate of 2.75% of gross pay.
- The burden is on the employer to deduct and remit the contributions by the ninth day of the month following the month of contribution.

UGANDA

National Social Security Fund (NSSF)

- 15% of gross monthly income, of which 5% is contributed by employee and the other 10% contributed by employer.
- Payable by 15th of following month.

Local Service Tax (LST)

- LST withheld by employer and remitted to local authorities of residence of the employee within the first four months of Uganda's financial year (by 31st October).
- Penalty for late or non-remittance of LST is 50% of the LST payable.

TANZANIA

National Social Security Fund (NSSF) and Public Service Social Security Fund (PSSSF)

- 20% of monthly gross salary – up to 10% may be deducted from the employee's salary.
- Payable by last day of the following month.

Skills and Development Levy (SDL)*

- Applies where a person has ten or more employees.
- 3.5% and 5.0% of monthly gross salary for Tanzania Mainland and Tanzania Zanzibar respectively.
- Payable by 7th of the following month.

* Exemptions

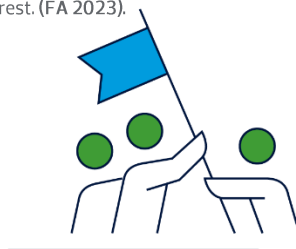
The following are exempt from SDL:

- A Government department or a public institution which is wholly financed by the Government;
- Diplomatic missions;
- The United Nations and its organisations;
- International and other foreign institutions dealing with aid or technical assistance;
- Local Government Authority;
- Religious institutions whose employees are solely employed to administer places of worship, to give religious instructions or generally to administer religion;
- Charitable organisations;
- Farm employers whose employees are directly and solely engaged in farming (excluding farm managers);
- Registered educational institutions (private schools including nursery, primary and secondary schools, vocational, educational and training schools and universities and higher learning institutions);
- Payment made to intern students from higher learning institutions or technical and vocational education and training institutions who are under the Tanzania Employment Service Agency program (FA 2022);
- Water supply and sanitation authority on payment to casual labourers engaged in implementation of water and sanitation project (FA 2024); and
- Minister responsible for finance may, in consultation with the Minister and by order published in the Gazette, exempt any person from paying levy provided that, such exemption is for public interest. (FA 2023).

For Zanzibar, only (a) to (e) above are exempt from SDL.

Workers Compensation Fund

- 0.5% of monthly gross salary.
- Payable by last working day of the following month.



INCOME TAX – CORPORATIONS

KENYA

| Income Tax Rates | |
|---|---|
| Resident company: Tax rate from 1 st January 2021 | 30% |
| Dividends distributed out of untaxed gains or profits | 30% |
| Dividends received by Special Economic Zone enterprises, developers and operators to any non-resident person | Exempt |
| Gain accruing to the non-resident person from financial derivatives contract with a resident person | 15% of the gains |
| Turnover Tax applicable for businesses (including incorporated and unincorporated) with a turnover of KShs. 1 million up to KShs. 25 million (excluding rental, management, professional, training income and any income which is subject to a final withholding tax under Income Tax Act) | 1.5% of gross receipts of business |
| Permanent establishment of a non-resident company | 30% (effective 1 st January 2024) |
| Branch profit repatriation tax | 15% (effective 1 st January 2024) |
| On gross residential rental income between KShs. 288,001 and KShs. 15 million p.a (monthly returns filing and tax payable monthly by 20 th of the subsequent month) | 7.5% (effective 1 st January 2024) |
| Export Processing Zone enterprises: First ten years Next ten years | Nil 25% |
| Local motor vehicle assembling company First five years Next five years (provided the company achieves a local content equivalent to 50% of the ex-factory value of the motor vehicles) | 15% 15% |
| Special Economic Zone enterprise, developer, or operator First ten years Next ten years | 10% 15% |
| A resident company operating a carbon market exchange or emission trading system that is certified by the Nairobi International Financial Centre Authority First ten years | 15% |
| A resident company operating a shipping business in Kenya First ten years from the year of commencement of its operations | 15% |
| Interest and deemed interest arising from a bearer bond issued outside Kenya of at least two years duration and interest, discount or original issue discount for a non-resident person | 7.5% of the gross sum payable |
| Significant Economic Presence Tax payable by a non-resident person on income of KShs. 5 million and above accruing from a business carried out over a digital market place | 30% of 10% on gross turnover |
| With effect from 1 September 2023, Digital Asset Tax ("DAT") will be payable by a person on the income derived from the transfer or exchange of digital assets | 3% of the transfer or exchange value of the digital asset |
| Income of a registered Unit Trust, Collective Investment Scheme or a Real Estate Investment Trust | Exempt |
| Investee companies of Real Estate Investment Trusts | Exempt |
| Developers constructing at least one hundred residential units annually (for that year of income) | 15% |
| Manufacturers of human vaccine | 10% (effective 1 st January 2024) |

Tax losses can be carried forward indefinitely effective 1st July 2021. Previously tax losses could be carried forward to a maximum of 9 years.

Exemption from income tax accorded, on application to the Commissioner, to organisations established solely for the purposes of relief of poverty or distress of the public or for the advancement of religion or education. Tax exemption status is renewable once every 5 years.

* When computing the tax payable, business expenses were only allowable if incurred wholly and exclusively to generate income. However, effective 1st January 2024 any expenditure or loss must be supported by a tax invoice generated from an electronic tax invoice management system (eTIMS) unless the transaction is exempted by the Tax Procedures Act, 2015.

With effect from 27th December 2024 **Minimum Top-up Tax (MTT)** shall be payable by a covered person where the combined effective tax rate (ETR) in respect of that person for a year of income is less than 15%.

$$\text{MTT} = (15\% \text{ of net income} / \text{loss}^2 - \text{combined ETR}) \times \text{excess profit}^3$$

$$\text{Combined ETR} = \frac{(\text{Sum of all adjusted covered taxes}^4) \times 100}{\text{Sum of all net income} / \text{loss}}$$

| Item | Definition |
|------------------------|--|
| A Covered Person | A resident person or a person with a permanent establishment in Kenya who is a member of a MNE and the group has a consolidated annual turnover of 750 million Euros or more in at least 2 of the 4 years of income preceding the tested year of income |
| Net Income or Loss | The sum of net income or loss for the year of income after deducting the sum of losses of a covered person as determined under a recognised accounting standard in Kenya |
| Excess Profit | The net income/ loss of a covered person for the year of income less (10% of employee cost + 8% of net book value of tangible assets |
| Adjusted Covered Taxed | Taxes recorded in the financial statement of a constituent entity for the income, profits share of the income or profits of a constituent entity where the constituent entity own an interest, and includes taxes on distributed profits, deemed profit distribution under Income Tax Act subject to such adjustments as may be prescribed |

UGANDA

Income tax rates

| | |
|--|-----|
| All companies other than mining | 30% |
| Education Institutions (Effective 1 st July 2014) | 30% |
| Trustees and retirement funds | 30% |

Rental income

The Minister shall, by statutory instrument, prescribe estimates of rent based on the rating of the rental property in a specific location. This shall only apply to a person who fails to file a return or whose return is misleading on the face of it and has been contested by the Commissioner. All rental agreements shall be executed and effected in Uganda Shillings.

Rental tax imposed

| Person | Tax rate |
|-----------------------|---|
| Individual (resident) | 12% of chargeable income exceeding UGX. 2,820,000 and nil for chargeable income not exceeding UGX. 2,820,000 per annum |
| Company | 30% of chargeable income |
| Trustee of a trust | 30% of chargeable income |
| Partnership | Individual income tax rates on chargeable income obtained by summing up total rental income and income from other sources |

The expenditure and losses incurred by a person, other than an individual or partnership, in the production of rent to be allowed as a deduction for any year of income shall not exceed fifty percent of the rental income; the allowable deduction will be fifty percent of the rental income for that year of income.

Tax Identification Number (TIN)

Any expenditure on goods or services in one transaction above UGX. 5 million from a supplier who does not have a TIN is disallowed when computing corporate income tax.

Exemption from Income Tax

- A body established by law for the purpose of regulating the conduct of professionals.
- Income of a listed institution.
- Income derived from exportation of finished goods where at least 80% of the total production is exported.
- Income of a Savings and Credit Cooperative Society – to 30th June 2027.
- Income derived from or by a private equity or venture capital fund regulated under the Capital Markets Authority Act, Cap 84.
- Income derived from the disposal of government securities on the secondary market.
- Income of a person derived from letting or leasing facilities whose investment capital is at least USD 50 million for a non-citizen and USD 10 million for a citizen in an industrial park or free zone for a period of 10 years from the date of commencement of the construction or in the case of an existing developer, from the date on which the existing developer makes and additional investment equivalent to USD 50 million for a non-citizen and USD 10 million for a citizen.
- Income of an operator in an industrial park or free zone or other business outside the industrial park for 10 years from the date of commencement of business whose investment capital is at least USD 10 million for a non-citizen or USD 300 thousand for a citizen or USD 150 thousand for a citizen whose investment is placed upcountry who uses at least seventy percent of locally sourced raw materials and employs seventy percent of its employees being citizens earning an aggregate wage of at least seventy percent of the wage bill and:
 - Processes agricultural goods;
 - Manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobile, household appliances;
 - Manufactures furniture, pulp, paper, printing and publishing of instructional materials;
 - Establishes or operates vocational or technical institutes;
 - Carries out business in logistics and warehousing, information technology or commercial farming;
 - Manufactures tyres, footwear, mattress or toothpaste.
- Section 2 of the income tax act was amended to include the definition of a citizen as:
 - a) A natural person who is a citizen of a partner state of the East African Community i.e., Uganda, Kenya, Rwanda, Burundi, Tanzania and South Sudan or;

A company or a body of persons incorporated under the laws of a Partner state of the East African Community, in which at least 51% of its shares are held by a person who is a citizen of a Partner State of the East African Community. Effective 1st July 2018, the interest expense deductible by a taxpayer who is a member of a group, other than a financial institution or a person carrying on insurance business shall be capped to 30% of the tax earnings before interest, tax, depreciation & amortisation. Any excess may be carried forward for not more than 3 years and shall be treated as having been incurred in the following year of income.

Blanket exemption from income tax for taxpayers engaged in agro-processing as specified in paragraph z of section 21(1) of the income tax act was repealed with effect from 1st July 2021. Going forward, the exemption has been narrowed down to specific sections in the sector and will only be applicable if certain conditions such as investment threshold and utilization of locally sourced raw materials, employment of citizens and their earnings are met.

TANZANIA

| Income Tax Rates | |
|--|-------------------------------|
| Resident company | 30% |
| Non-resident company: | |
| – branch profits | 30% |
| – repatriated income of a branch | 10% |
| Newly listed companies with at least 30% of shares issued to the public | 25% for the first three years |
| Newly established plant for assembling of motor vehicles, tractors, fishing boats or out boat engine – reduced rate for 5 years (conditions apply) | 10% |
| Alternative Minimum Tax | 0.5%* |
| *At 0.5% of turnover on entities making tax losses for 3 consecutive years (<i>Exemption applies to agricultural companies, companies engaged in provision of health and education, mining operations and tea processors*</i>) | |
| *Tea processors exempt from AMT for a period of 3 years from 1 July 2024 | |

| Income Tax Rates | |
|--|--|
| Newly established entity dealing in the manufacture of pharmaceutical or leather products having a performance agreement with the Government of Tanzania | 20% for five consecutive years from the year of commencement of production |

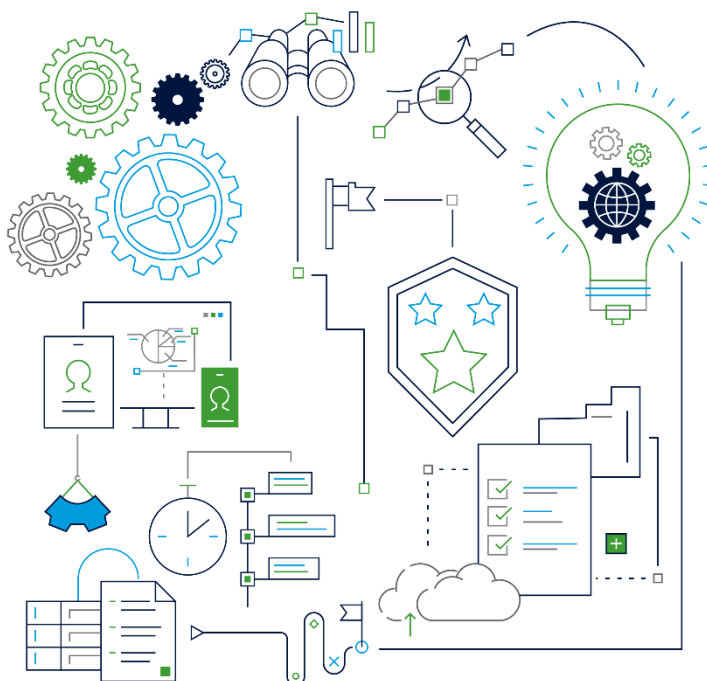
Deduction of expenses

- Expenses incurred wholly and exclusively in the production of income from business or investment shall qualify for a tax deduction only. Any consumption or excluded expenditure shall not qualify for a tax deduction.*
* It is important to note that to claim a tax deduction it is mandatory to ensure a fiscal receipt is obtained i.e. "expenditure incurred by a person during the year of income on goods or services relating to the production of income shall be supported by fiscal receipt" except where the person providing the goods or services is a non-resident person with no permanent establishment in Tanzania or seller or supplier is a resident with an annual turnover of TZS 11 million or less.
- Section 12 of the ITA restricts the amount of realised exchange loss on non-interest bearing loans a taxpayer can claim for the purpose of Income Tax. 70% of realised exchange loss shall be eligible for deduction and the remaining balance of 30% shall be permanently disallowed (FA 2020).

Carry forward losses

Unrelieved tax losses shall be carried forward and allowed as a deduction in determining the tax payer's chargeable income in the following year of income*

* Section 19 of the ITA restricts claim of unrelieved losses brought forward for entities with tax losses of 4 consecutive years to the extent of 60% of the chargeable income derived during the year of income. (FA 2020).



CAPITAL ALLOWANCES

KENYA

Effective 1st January 2022, the basis of investment changed from reducing balance to straight line wherever applicable.

| Investment Allowances applicable to the year of income ended April 2020 onwards (calculated on cost) | Rate & method |
|--|--|
| Machinery used for manufacture | 50% in the first year of use, and then 25% straight line |
| Hospital Equipment | 50% in the first year of use, and then 25% straight line |
| Ships or aircrafts | 50% in the first year of use, and then 25% straight line |
| Motor vehicles and heavy earth moving equipment | 25% straight line |
| Computer and peripheral computer hardware and software, calculators, copiers and duplicating machines | 25% straight line |
| Furniture and fittings | 10% straight line |
| Telecommunications equipment | 10% straight line |
| Filming equipment by a local film producer licenced by the Cabinet Secretary responsible for filming | 25% straight line |
| Machinery used to undertake operations under a prospecting right | 50% in the first year of use, and then 25% straight line |
| Machinery used to undertake exploration operations under a mining right | 50% in the first year of use, and then 25% straight line |
| Other machinery | 10% straight line |
| Purchase or an acquisition of an indefeasible right to use fibre optic cable by a telecommunication operator | 10% straight line |
| Section 15(2)(G) Claim | |
| Utensils and loose tools – what is just and reasonable to the Commissioner's satisfaction. 33 $\frac{1}{3}$ by practice but can be adjusted based on the use and nature of the tool up to 30 th June 2023. The applicable allowance effective 1 st July 2023 is 100% | |
| Hotel (licenced by competent authority) | 50% in the first year of use, and then 25% straight line |
| Building used for manufacture | 50% in the first year of use, and then 25% straight line |
| Hospital (licenced by competent authority) | 50% in the first year of use, and then 25% straight line |
| Petroleum or gas storage facilities | 50% in the first year of use, and then 25% straight line |
| Educational buildings including student hostels (licenced by competent authority) | 10% straight line |
| Commercial building | 10% straight line |
| Industrial building | 10% straight line |
| Dock | 10% per year on a straight-line basis |
| Farm works | 50% in the first year of use, and then 25% straight line |

| Investment allowance applicable from 1 st January 2022 | Rate & method |
|---|---------------|
| On cumulative investment value in the preceding 3 years outside Nairobi city county and Mombasa county is at least KShs. 1 billion Provided that where the cumulative value of investment for the preceding 3 years of income was KShs. 1 billion on or before 25 th April 2020, and the applicable rate of investment deduction was 150%, that rate shall continue to apply for the investment made on or before the 25 th April 2020 | 100% |
| On investment value in that year of income outside Nairobi city county and Mombasa county is at least KShs. 250 million on hotel building or building or machinery for manufacture | 100% |
| Where the cumulative investment value for the preceding four years from the date that this provision comes into force or the cumulative investment for the succeeding three years outside Nairobi City County or Mombasa County is at least KShs. 1 billion (effective 1 st July 2022) | 150% |
| Investment incurred in a special economic zone | 100% |

UGANDA

| Wear and Tear Allowances (calculated on cost) | Rate & method |
|---|--------------------------------|
| Computers and data handling equipment | 40% Reducing balance |
| Plant and machinery used in farming, manufacturing and mining | 30% Reducing balance |
| Automobiles; buses, minibuses, goods vehicles, construction and earth moving equipment, specialised trucks, tractors, trailers and trailer mounted containers, rail cars, locomotives and equipment; vessels, barges, tugs and similar water transportation equipment; aircraft; specialised public utility plant, equipment and machinery; office furniture, fixtures and equipment; and any depreciable asset not included in another class | 20% Reducing balance method |

Vehicle Depreciation Ceiling

UGX. 60 million for vehicles other than commercial vehicles

Industrial Buildings

Where a person has incurred capital expenditure in any year of income, on the construction of an industrial building and the building is used by the person during the year of income in the production of income included in gross income, the person is allowed a deduction for the depreciation of the building during the year of income as calculated as follows:

$A \times B \times C / D$

Where:

A is 5%

B is the capital expenditure incurred in the construction of the building

C is the number of days in the year of income during which the asset was used or was available for use in the production of income included in the gross income; and

D is the number of days in the year of income

Industrial building means any building which is wholly or partly used, or held ready for use, by a person in manufacturing, research and development into improved or new methods of manufacture, mining operations, an approved hotel business, an approved hospital or approved commercial building. An approved commercial building is an industrial building which is primarily used by the owner or let out for rent for the purposes of carrying on a business, trade or profession, an office, as warehouse or commercial storage facility or as a workshop. For the avoidance of doubt, an approved commercial building does not include a building let out or used for residential accommodation

Note that effective 1st July 2023, a deduction for initial allowance shall not be applicable



Start-up Costs

A person who has incurred expenditure during the start-up phase or in the initial public offering at the stock market shall be allowed a deduction of 25% of the amount of expenditure in the year of income in which the expenditure was incurred and in the following 3 years of income in which the business is carried on by the person (effective 1st July 2014, the start-up costs are limited to non-recurring preliminary costs associated with starting up a business)

Carry forward losses

Effective 1 July 2023, a taxpayer that has been in loss making position for seven years can only carry forward 50% of the losses

TANZANIA

| Wear and Tear Allowances | Rate & method |
|---|---|
| Computers and data handling equipment together with peripheral devices, automobiles, buses with a seating capacity of under 30 passengers, goods vehicles with a load capacity of less than 7 tonnes, construction & earth-moving equipment (Class 1) | 37.5% Reducing balance method |
| Buses with a seating capacity of more than 30 passengers or more passengers, heavy general purpose or specialized trucks, trailers and trailer-mounted containers, railroad cars, locomotives & equipment, vessels, barges, tugs, and similar water transportation equipment, aircrafts, other self-propelling vehicles, plant & machinery used in agriculture or manufacturing, specialized public utility plant & equipment and machinery or other irrigation installations and equipment (Class 2) | 25% Reducing balance method |
| Office furniture, fixtures and office equipment and any other asset not included in any other class of assets (Class 3) | 12.5% Reducing balance method |
| Buildings, structures and similar works of a permanent nature used in agriculture, livestock or fish farming (Class 5) | 20% Straight line method |
| Buildings, structures, and similar works of permanent nature including assets owned by an international pipeline operator other than those mentioned in Class 5 (Class 6) | 5% Straight line method |
| Intangible assets (Class 7) | Depreciated over the useful life of the asset |
| Plant and machinery including windmills, electric generators and distribution equipment used in agriculture and electronic fiscal device (EFD) purchased by a non-value added tax registered trader, equipment used for prospecting and exploration of minerals (Class 8) | 100% |
| Expenditure incurred, including purchase of equipment used in the mineral or petroleum operations | 20% Straight line method |

Note:

- Plant and machinery used in the manufacturing process and fixed in the factory, used in fish farming or used for providing services to tourists and fixed in a hotel shall qualify for initial depreciation allowance of 50% on the cost of the asset, of which the first half (25%) shall be available in the year when an asset is employed in the business and the second half (25%) in the subsequent year of income.
- Depreciation basis for a non-commercial vehicle shall not exceed TZS 30,000,000 for the purpose of computing the depreciation allowance i.e. the excess shall be permanently disallowed.



TRANSFER PRICING

KENYA

In Kenya, related parties are required to develop an appropriate transfer pricing policy based on one of the following methods for transactions:

- Comparable uncontrolled price method.
- Cost plus method.
- Resale price method.
- Profit split method.
- Transactional net margin method.
- Any other method prescribed by the Commissioner.

Transactions with non-resident entities, EPZs and SEZs. Documentation of a TP Policy is a mandatory requirement and failure to comply is an offence under Section 82 of the Tax Procedures Act (TPA) which attracts a penalty equal to the higher of:

- (a) 10% of the amount of tax payable by the person under the tax law to which the document relates for the reporting period to which the failure relates; or
- (b) the penalty shall be KShs. 100,000.

UGANDA

In Uganda, related parties are required to develop an appropriate transfer pricing policy based on one of the following methods for transactions:

- Comparable uncontrolled price method
- Cost plus method
- Resale price method
- Profit split method
- Transactional net margin method
- Any other method prescribed by the Commissioner

The TP policy is required for transactions with both local and non-resident related party transactions exceeding UGX. 500 million. The TP policy should be in place prior to the due date of filing the income tax return for that year. Failure to provide the TP policy with 30 days after request by the Commissioner is liable to a penal tax equivalent to fifty million Uganda shillings.

TANZANIA

In Tanzania, related parties are required to develop an appropriate transfer pricing policy based on one of the following methods for transactions:

- Comparable uncontrolled price method
- Cost plus method
- Resale price method
- Profit split method
- Transactional net margin method
- Any other method prescribed by the Commissioner

In Tanzania, a TP policy is required for transactions with resident and non-resident related parties. Documentation of a TP policy is a mandatory requirement and failure to comply is an offence under Section 7 of the Transfer Pricing Regulations, 2018 which attracts a penalty of 3,500 currency points which is equivalent of TZS 70 million.

Transfer pricing policy to be attached with final income tax returns where total transactions with related parties exceed TZS 10 billion.



PERMANENT ESTABLISHMENT

KENYA

The Income Tax Act defines PE to include;

- a) A fixed place of business through which business is wholly or partly carried on and includes;
 - A place of management
 - A branch
 - An office
 - A factory
 - A workshop, a mine, an oil or gas well, a quarry or any other place of extraction or exploitation of natural resources
 - A warehouse in relation to a person whose business is providing storage facilities to others
 - A farm, plantation or other place where agricultural, forestry plantation or related activities are carried on and a sales outlet
- b) A building site, construction, assembly or installation project or any supervisory activity connected to the site or project, but only if it continues for a period of more than 183 days (6months);
- c) The provision of services, including consultancy services, by a person through employees or other personnel engaged for that purpose, but only where the services or connected business in Kenya, continue for a period of, or periods exceeding in the aggregate, 91 days (3months) in any twelve-month period commencing or ending in the year of income concerned;
- d) An installation or structure used in the exploration for natural resources: provided that the exploration continues for a period of not less than 91 days (3 months);
- e) A dependent agent of a person who acts on their behalf in respect of any activities which that person undertakes in Kenya including habitually concluding contracts, or playing the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the person.

A PE however excludes the following activities where the activities are of a preparatory or auxiliary character;

- a) The use of facilities solely for the purpose of storage, or display of goods or merchandise belonging to the enterprise;
- b) The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, or display;
- c) The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- d) The maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;
- e) The maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity; and
- f) The maintenance of a fixed place of business solely for any combination of activities mentioned above.

UGANDA

A permanent establishment means a fixed place of business through which the business of the enterprise is wholly or partly carried and includes;

- a) A place of business;
- b) A branch;
- c) An office;
- d) A factory;
- e) A workshop;
- f) A warehouse, in relation to a person providing storage facilities to others;
- g) A mine, an oiled or gas well, a quarry or any other place of exploration for or extraction of natural resources;
- h) A farm, plantation or other place where agricultural, forestry plantation or related activities are carried on;
- i) A sales outlet;
- j) A building site or a construction, installation or assembly project, or supervisory activities in connection with the site project or activity that lasts for at least ninety days in any twelve months period;
- k) The furnishing of services, including consultancy services, by a person through employees or other personnel engaged by the person for such purposes provided that such activities continue in Uganda for a period of, or a periods amounting in aggregate to, 183 days in any twelve month period that commences during the year of income; or
- l) substantial equipment or machinery that is operated, or is available for operation, in Uganda for a period of, or periods amounting in aggregate to, ninety days or more in any twelve month period that commences or ends during the year of income.

The duration of activities referred to under (j), (k) and (l) shall be determined by aggregating the period during which activities are carried on in Uganda by associates, provided that the activities of such associate in Uganda are connected; and where they are two or more associates the period referred shall be counted only once for the purpose of determining the duration of activities.

Where a person is acting in Uganda on behalf of another person, that principal shall be deemed to have a permanent establishment in Uganda in respect of any activities which the agent undertakes on behalf of the principal, if such agent—

- a) habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the principal, and these contracts are—
 - i. in the name of the principal;
 - ii. for the transfer of the ownership of, or for the granting of the right to use, property owned by the principal or that the principal has the right to use; or
 - iii. for the provision of services by the principal, unless the activities of the agent are limited to those mentioned which, if exercised through a fixed place of business other than a fixed place of business to which, which would not make this fixed place of business a permanent establishment
- b) does not habitually conclude contracts nor plays the principal role leading to the conclusion of such contracts, but habitually maintains in Uganda a stock of goods or merchandise from which the agent regularly delivers goods or merchandise on behalf of the principal;
- c) does not habitually conclude contracts nor plays the principal role leading to the conclusion of such contracts, but habitually manufactures or processes in Uganda for the principal, goods or merchandise belonging to the principal; or
- d) does not habitually conclude contracts nor plays the principal role leading to the conclusion of such contracts, but habitually secures orders in Uganda wholly or almost wholly for the principal or associates.



CAPITAL GAINS TAX

KENYA

- Individuals (including unincorporated institutions) – on transfer of land and shares excluding those listed on the NSE.
- Company – on transfer of assets, excluding share listed on the NSE that are not subject to corporation tax. Effective April 2020, a sale of a building on which investment deduction has been claimed will be subject to corporation tax instead of capital gains tax.
- Rate – 15% of the gain effective 1st January 2023.
- On transfer of property – payable at the earlier of receipt of the full purchase price by the vendor or registration of the transfer.
- Transfer of property between spouses, or to a company 100% owned by either or both of the spouses and immediate family members is exempt.
- Transfer of property within a group as part of a re-organisation is exempt. However, effective 1st July 2023, for a group undergoing an internal restructure to qualify for CGT exemption, the group must have been existing for at least 24 months or more.
- Transfer of property, including investment shares, which is transferred or sold for the purpose of transferring the title or the proceeds into a registered family trust is exempt from capital gains tax.
- Transfer of title of immovable property to a family trust is exempt from capital gains tax.
- Certain other exemptions also applicable.
- In the case of transfer of property to another party within five years of acquisition of the property vide a CGT exempt transfer, the adjusted cost in the transfer to the other party shall be the original adjusted cost as per the first transfer.
- The rate of CGT shall be 5% in the case of a firm that has invested at least KShs. 3 billion in at least one entity incorporated or registered in Kenya within a period of two years and the transfer of the investment is to be made after five years of the date of the investment. This has to be certified by International Financial Centre Authority (IFCA).

UGANDA

- No specific capital gains tax legislation.
- Effective 1st July 2014, 30% chargeable on gains arising from the disposal of commercial building.
- With effect from 1st July 2021, there is indexation in the calculation of capital gains tax in order to account for inflation. When calculating capital gains tax, the taxpayer factors in inflation that influences the asset value. However, indexation does not apply to an asset that is sold within 12 months from the date of purchase.
- With effect from 1st July 2021, capital gains arising from the sale of investment interest of a registered venture capital fund will not be included as part of determining chargeable income if at least fifty percent of the proceeds on sale is reinvested within the year of income.

TANZANIA

Disposal of Investments

| Tax rate | Tanzanian asset | Overseas asset |
|---------------|-----------------|----------------|
| Individual | | |
| –resident | 10% | 30% |
| –non-resident | 30% | n/a |
| Company | | |
| –resident | 30% | 30% |
| –non-resident | 30% | n/a |

Exemptions

- Business assets, depreciable assets and trading stock.
- Private residence–gains of TZS 15 million or less.
- Agricultural land–market value of less than TZS 10 million and used for at least two of the three prior years for agricultural purposes.
- Shares or securities in Dar Es Salaam Stock Exchange (DSE) held by a resident person or non-residents (and associates) where shareholding is less than 25%.
- Units in an approved Collective Investment Scheme.
- Amount derived from gain on realisation or transfer of mineral rights and mineral information to a partnership entity formed between the Government and an investor (FA 2022).

- Amount derived from gain on realisation or transfer of free carried interest shares from a partnership entity to the Government (FA 2022).
- Amount derived from gain on realisation or transfer of shares to the Government through the Treasury Registrar (FA 2022).
- Amount derived from gain on the internal restructuring of mining companies pursuant to the requirement of a Framework Agreement entered between the Government and investor to form partnership entity (FA 2023).
- Amount derived by the National Health Insurance Fund from investment returns on fixed deposit, treasury bonds, treasury bills or dividends (FA 2023).

Single instalment tax

| | |
|---|--|
| Sale of land and building – resident – non-resident | 10%* 20%* <i>* Applied to gain, credit against final tax liability. *A reduced rate of 3% on higher of consideration or approved sales value is applicable for resident individuals with no records of cost of asset (FA 2023)</i> |
| Non-resident transport operator/charterer without permanent establishment (excluding carriers of fish or horticulture products by a foreign aircraft) | 5% of gross payment |
| Non-resident electronic service provider without a permanent establishment in Tanzania | 2% of gross payment |

MOTOR VEHICLE ADVANCE TAX

KENYA

Applicable to all commercial vehicles and PSV's:

- For vans, pickups, trucks, prime movers, trailers and lorries (except tractors and trailers used for agricultural purposes), the higher of KShs. 1,500 per tonne of load capacity p.a or KShs. 2,400 p.a up to 31st December 2023. The new rates effective 1st January 2024 will be the higher of KShs. 2,500 per tonne of load capacity per year or KShs. 5,000 per year.
- For saloons, station wagons, mini-buses, buses and coaches, the higher of KShs. 60 per passenger capacity p.m. or KShs. 2,400 p.a up to 31st December 2023. The new rates effective 1st January 2024 is the higher of KShs. 100 per passenger capacity per month or KShs. 5,000 per year.
- Payable on or before the 20th day of first month of the year of income or before registration.

UGANDA

The rate of advance tax under Section 123A is:

- for goods vehicles; UGX. 50,000 per tonne per year; and
- for passenger service transport vehicle; UGX. 20,000 per seat per year.

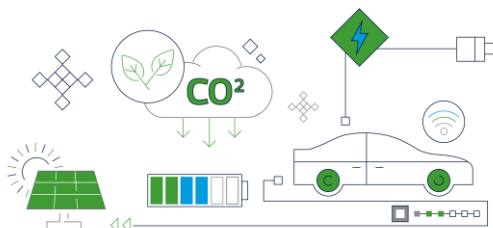
TANZANIA

| Presumptive Tax Rates for Individuals (engaged in transportation of passengers or goods) | |
|--|-------------------|
| Class of Vehicles | Tax Payable (TZS) |
| Class A: Passenger service vehicles | |
| Bus and other similar vehicle with seating capacity up to 15 passengers | 250,000 |
| Bus and other similar vehicle with seating capacity from 16 up to 30 passengers | 650,000 |
| Bus and other similar vehicle with seating capacity from 31 up to 45 passengers | 1,100,000 |
| Bus and other similar vehicle with seating capacity from 46 up to 65 passengers | 1,600,000 |
| Bus and other similar vehicle with seating capacity above 65 passengers | 2,200,000 |

Presumptive Tax Rates for Individuals (engaged in transportation of passengers or goods)

| | |
|---|-----------|
| Class B: Tour service vehicles | |
| Bus and other similar vehicle with seating capacity up to 15 passengers | 650,000 |
| Bus and other similar vehicle with seating capacity from 16 up to 25 passengers | 900,000 |
| Bus and other similar vehicle with seating capacity from 26 up to 45 passengers | 1,300,000 |
| Bus and other similar vehicle with seating capacity from 46 up to 65 passengers | 1,800,000 |
| Bus and other similar vehicle with seating capacity above 65 passengers | 2,400,000 |
| Class C: Goods Carrying Vehicles | |
| Load Vehicle between 0 – 1 Tonne | 250,000 |
| Load Vehicle between 1 – 5 Tonnes | 500,000 |
| Load Vehicle between 6 – 10 Tonnes | 750,000 |
| Load Vehicle between 11 – 15 Tonnes | 1,100,000 |
| Load Vehicle between 16 – 20 Tonnes | 1,300,000 |
| Load Vehicle between 21 – 25 Tonnes | 1,650,000 |
| Load Vehicle between 26 – 30 Tonnes | 1,900,000 |
| Load Vehicle above 30 Tonnes | 2,200,000 |
| Class D: Private Hire Service Vehicles | |
| Motor Cycle | 65,000 |
| Tricycle | 120,000 |
| Taxi | 180,000 |
| Ride Hailing | 350,000 |
| Ride Sharing | 450,000 |
| Special Hire | 750,000 |

The tax shall be applicable to individuals operating in the transport sector with turnover of less than TZS 100m.



PAYMENT OF TAXES

KENYA

Instalment Tax

Payable on or before the 20th day of the respective month as follows:

| | Fourth Month | Sixth Month | Ninth Month | Twelfth Month |
|--------------------------|--------------|-------------|-------------|---------------|
| All other taxpayers | 25% | 25% | 25% | 25% |
| Agricultural enterprises | – | – | 75% | 25% |

Basis for Instalment Tax: Lower of preceding year's tax multiplied by 110% and current year's estimate. When using the current year basis, the tax liability must be settled in 4 equal instalments. For individual taxpayers, instalment tax payable if preceding year's tax liability is KShs. 40,000 or more.

| Agricultural enterprises | | |
|--------------------------|--|--|
| Payment | Applicable Turnover | Date Payable |
| 1 st Payment | 1 st to 8 th months | By 20 th of the 9 th month |
| 2 nd Payment | 9 th , 10 th & 11 th months | By 20 th of the 12 th month |
| Balance of Tax | 12 th month | By last day of the 4 th month after the accounting period |

Final Tax

Due on or before end of the fourth month after the year-end.

UGANDA

Non-Individual

The 1st and 2nd Provisional income tax payment for non-individuals are due by the 6th and 12th months of the tax year respectively.

The amount of each instalment of provisional tax is calculated as follows:

$$(50\% \times A) - B$$

where:

- A = estimated tax payable for the year of income
B = amount of tax withheld prior to the due date of payment of instalment tax in that year of income

Individual

Instalment tax for individuals is payable in four instalments on or before the last day of the 3rd, 6th, 9th and 12th months of the year of income.

The amount of each instalment of provisional tax for a year of income is calculated as follows:

$$(25\% \times A) - B$$

where:

- A = estimated tax payable for the year of income
B = amount of tax withheld prior to the due date of payment of instalment tax in that year of income

TANZANIA

Instalment Tax

Payable before the end of each quarter as follows:

| | Third Month | Sixth Month | Ninth Month | Twelfth Month |
|----------------|-------------|-------------|-------------|---------------|
| All taxpayers* | 25% | 25% | 25% | 25% |

*For taxpayers in agricultural business involving seasonal crops with no other business in Tanzania, the first and second instalment tax shall be nil.

*A non-resident person who supplies electronic services to resident individuals in Tanzania shall pay the income tax to the TRA, no later than the 20th day of the following month to which the payment relates.

Basis for Instalment Tax: Based on self-estimate. However, the advance tax i.e. sum of estimated tax paid by way of instalment and tax paid at source must be equal to or more than 80% of the total tax payable at final assessment.

Final Tax

Payable by the end of the sixth month after the year-end.

SELF ASSESSMENT RETURN (SAR)

KENYA

Due for filing as follows:

- Corporations – within six months after the end of the accounting year-end.
- Individuals and partnerships – by 30th June of the following year.
- A married woman can now only file a separate tax return and declare income from arms-length employment, professional services, rent, dividend and interest separately from the husband.

UGANDA

Self-assessment returns for corporations, individuals and partnerships should be filed by the last day of the sixth month after the end of the tax year.

TANZANIA

Final return is due for filing within six months after the end of the accounting year-end. However, an extension of up to 30 additional days may be requested.

Note: Whilst the extension to file the final tax returns may be granted, the final tax due must be paid by the end of the sixth month after the year-end, failure to which interest and penalties could be imposed.

COUNTRY BY COUNTRY REPORTING

KENYA

- An ultimate parent entity or a constituent entity of a multinational enterprise group with a gross turnover of KShs. 95 billion (including extraordinary or investment income) that is resident in Kenya shall file a country-by-country report with the Commissioner of its financial activities in Kenya and for all other jurisdictions where the group has a taxable presence.
- The return needs to be submitted by the Kenyan parent company not later than 12 months after the last day of the reporting financial year of the group.
- The information required in the group return in relation to each jurisdiction in which the group operates shall consist the group's aggregate information relating to:
 - revenue;
 - profit or loss before income tax;
 - income tax paid;
 - income tax accrued;
 - stated capital;
 - accumulated earnings;
 - number of employees; and
 - tangible assets other than cash or cash equivalents.
- A person who fails to comply with the country-by-country reporting commits an offence and shall be subject to the penalties prescribed under the Tax Procedures Act, 2015.



GAINS OR PROFITS OF BUSINESS IN A PREFERENTIAL TAX REGIME

KENYA

Effective 1st January 2023 where –

- (a) a resident person carries on business with a related resident person operating in a preferential tax regime; or
- (b) a resident person carries on business with –
 - (i) a non-resident person located in a preferential tax regime; or
 - (ii) an associated enterprise of a non-resident person located in a preferential tax regime; or
 - (iii) a permanent establishment of a non-resident person operating in Kenya where the non-resident person is located in a preferential tax regime and the business produces no gains or produces less gains than those which would have been expected to accrue from that business if the business activity was not with a party in a preferential tax regime, the gains of that resident person from that business shall be deemed to be the amount which would have been expected to accrue if that business had been conducted by an independent person dealing at arm's length, or if none of the parties were located in a preferential tax regime.

Effective 1st January 2024, income derived from Intellectual Property (IP) will be subject to a preferential tax rate. The income from the IP that will be subject to the preferential tax rate will be computed as follows:

$$\begin{array}{lcl}
 \text{Income receiving tax} & & \text{R\&D expenses excluding} \\
 \text{benefits} & = & \text{acquisition costs and related} \\
 & & \text{party outsourcing costs} \\
 & & \text{All R\&D expenses inclusive of} \\
 & & \text{acquisition costs and related} \\
 & & \text{party outsourcing costs} \\
 & \times & \text{IP income including} \\
 & & \text{royalties, capital gains} \\
 & & \text{and any other income} \\
 & & \text{from the sale of an IP} \\
 & & \text{asset}
 \end{array}$$

** Intellectual property losses shall only be deducted against intellectual property income. However, the Finance Act 2023 did not prescribe the preferential tax rate that will apply on the income from IP. Therefore, taxpayers may not be able to enjoy this new benefit until the ITA is amended to prescribe a specific preferential tax rate.

STANDARDS LEVY, CUSTOMS AND EXCISE

KENYA

STANDARDS LEVY

Payable monthly by manufacturers at 0.2% of ex-factory price subject to a minimum of KShs. 1,000 p.m. and a maximum of KShs. 400,000 p.a.

CUSTOMS DUTY

- Customs duties chargeable under the East African Community Customs Management Act for imports outside the EAC region:

| | |
|---|-----|
| Raw materials and certain machinery | 0% |
| Semi-finished goods | 10% |
| Finished goods | 25% |
| Finished goods readily available within the customs territory | 35% |

- Member countries have powers to levy additional anti-dumping or countervailing duty rates in addition to the normal duty rates.
- Certain capital goods, subject to Treasury approval, are eligible for duty remission.
- Goods imported from COMESA have preferential rates.
- IDF is at 2.5% of customs value.
- Effective 27th December 2024, RDL fees rate is at 2% for all imports.
- Effective 1st July 2021, any goods which the Cabinet Secretary may determine is in the public interest, or to promote investment and the value of which shall not be less than KShs. 5 billion will be exempt from IDF and Railway Development Levy.
- Additional duty of 2.5% applicable to goods entered for home use from export processing zones enterprises.
- Processing fees of KShs. 10,000 applicable to all motor vehicles excluding motor cycles imported or purchased duty free.

Exemptions from IDF

The following new items are exempted from IDF effective 1st July 2023:

- Goods imported for official use by international and regional organizations that have bilateral or multilateral agreements with Kenya;
- Liquefied petroleum gas;
- Denatured ethanol of tariff number 2207.20.00;
- Bioethanol vapor (BEV) stoves classified under HS Code 7321.12.00 (cooking appliances and plate warmers for liquid fuel); and
- Goods imported for other manufacturing activities including refining of human vaccines.

Exemptions from RDL

The following new items are exempted from RDL effective 1st July 2023:

- Goods imported for official use by international and regional organizations that have bilateral or multilateral agreements with Kenya;
- Liquefied petroleum gas;
- All goods and parts thereof of Chapter 88 (Aircrafts, Space crafts and parts thereof including aircraft engines imported by aircraft operators or persons engaged in the business of aircraft maintenance upon recommendation by the competent authority responsible for civil aviation);
- Goods imported for other manufacturing activities including refining of human vaccines;
- Denatured ethanol of tariff number 2207.20.00; and
- Bioethanol vapor (BEV) stoves classified under HS Code 7321.12.00 (cooking appliances and plate warmers for liquid fuel).

EXCISE DUTY

Excise duty is charged on a variety of products:

| Item | Duty Rate FY 2024/25 |
|---|--|
| Fruit and vegetable juices | KShs 14.14 per litre |
| Water (bottled and similarly packaged waters) and other non-alcoholic beverages | KShs. 6.41 per Litre |
| Food supplements | 10% |
| Beer, Cider, Perry, Mead, Opaque beer and mixtures of fermented beverages with non-alcoholic beverages and spirituous beverages and alcoholic beverages of alcoholic strength not exceeding 6% Provided that, Beer, cider, perry, mead, opaque beer and mixtures of fermented beverages with non-alcoholic beverages and spirituous beverages manufactured by licenced small independent brewers shall be subject to the rate of KShs. 10 per centilitre of pure alcohol | KShs. 22.50 per centilitre of pure alcohol |
| Powdered beer | KShs. 129.53 per kg |
| Wines including fortified wines, and other alcoholic beverages obtained by fermentation of fruits | KShs. 22.50 per centilitre of pure alcohol |
| Spirits of undenatured ethyl alcohols of alcoholic strength exceeding 6% | KShs. 10 per centilitre of pure alcohol |
| Cigars, cheroots, cigarillos containing tobacco or tobacco substitutes | KShs. 16,260.29 per kg |
| Cigarettes with filters (hinge lid and soft cap) | KShs. 4,100 per mille |
| Cigarettes without filters (plain cigarettes) | KShs. 4,100 per mille |
| Other manufactured tobacco and tobacco substitutes | KShs. 11,382.48 per kg |
| Cosmetics and beauty products including perfumes, make-ups, pedicure and manicure products, haircare and shaving preparations | 15% |
| Motor vehicle (excluding locally assembled motor vehicles, locally manufactured passenger motor vehicles, locally assembled electric vehicles school buses for use by public schools, motor vehicles under tariff no. 8703.24.90 and 8703.33.90 and imported motor vehicles exceeding 1500cc) of tariff heading 87.02, 87.03 and 87.04 | 20% |
| Imported motor vehicles of cylinder capacity exceeding 1500cc to 2500cc of tariff heading 87.02, 87.03 and 87.04 | 25% |
| Motor vehicles of tariff no. 8703.24.90 and 8703.33.90 exceeding 2500cc | 35% |
| Motorcycles of tariff no. 87.11 other than motorcycle ambulances, locally assembled motorcycles and electric motorcycles | KShs. 12,952.83 |
| Illuminating Kerosene | KShs. 11,370.99 per 1,000 litres |

| Item | Duty Rate FY 2024/25 |
|---|--|
| 100% electric powered motor vehicles of tariff no. 8702.40.11, 8702.40.19, 8702.40.21, 8702.40.22, 8702.40.29, 8702.40.91, 8702.40.99, 8703.80.00 | 10% |
| Imported sugar confectionery of tariff heading 17.04 | KShs. 85.82 per kg |
| Imported white chocolate of heading 1704; imported chocolate and other food preparations containing cocoa of tariff nos. 1806.31.00, 1806.32.00 and 1806.90.00 | KShs. ,257.55 per kg |
| Imported gas cylinders | 35% |
| Imported glass bottles (excluding glass bottles for packaging of pharmaceutical products) Provided that it shall not apply to glass bottles imported from any of the countries within EAC | 35% |
| Jewellery of tariff heading 7113 and imported jewellery of tariff heading 7117 | 15% |
| Products containing nicotine or nicotine substitutes intended for inhalation without combustion or oral application but excluding medicinal products approved by the Cabinet Secretary responsible for matters relating to health and other manufactured tobacco and manufactured tobacco substitutes that have been homogenized and reconstituted tobacco, tobacco extracts and essences | KShs 2,000 per kg |
| Liquid nicotine for electronic cigarettes | KShs. 100 per millilitre |
| Articles of plastic of tariff heading 3923.30.00 and 3923.90.90 | 10% |
| Imported eggs of tariff heading 04.07 excluding fertilized eggs for incubation imported by licenced incubators | 25% |
| Imported onions of tariff heading 07.03 | 25% |
| Imported potatoes, potato crisps and potato chips of tariff heading 07.01 | 25% |
| 3907.91.00 unsaturated polyester (imported) | 10% |
| Imported Fully Assembled Electric transformers and parts of tariff codes 8504.10.00, 8504.21.00, 8504.22.00, 8504.23.00, 8504.31.00, 8504.32.00, 8504.34.00 | 25% |
| Imported printing ink of tariff 3215.11.00 and 3215.19.00 but excluding those originating from EAC Partner States that meet the EAC Rules of Origin | 15% |
| Imported Ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures of tariff heading 6910 | 5% of customs value or KShs. 50 per kg |
| Imported Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked of tariff 7007 | 30% of custom value or KShs. 200 per 200 |
| Imported ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics of tariff 6907 | 5% of custom value or KShs. 200 per square meter |
| Coal | 2.5% of the custom value |



| Goods | Effective 1 st July 2023 |
|---|--|
| Imported fish | 10% |
| Powdered juice | KShs. 25 per kg |
| Imported sugar excluding imported sugar by a registered pharmaceutical manufacturer and raw sugar imported for processing by a licenced sugar refinery | KShs. 7.5 per kg |
| Imported cement | 10% of the value or KShs. 1.50 per kg, whichever is higher |
| Imported furniture of Tariff heading 9403 excluding furniture originating from East African Community Partner States that meet the East African Community Rules of Origin | 30% |
| Imported cellular phones * Reclassified from excisable services to excisable goods | 10% |
| Imported paints, varnishes and lacquers of heading 3208, 3209 and 3210 | 15% |
| Imported non-virgin Test liner of heading 4805.24.00 | 25% |
| Imported non-virgin fluting medium of heading 4805.19.00 | 25% |
| Condensates per 10001@ 20degC | N/A |
| Imported Alkyd | 20% |
| Imported Unsaturated polyester | 20% |
| Imported saturated polyester of heading 3907.99.00 | 20% |
| Imported polymers of vinyl acetate/ vinyl esters of heading 3905.21.00 | 20% |
| Imported emulsion-styrene acrylic of heading 3903.90.00 | 20% |
| Imported Emulsion VAM | 20% |
| Imported Emulsion – styrene Acrylic | 20% |
| Imported Homopolymers | 20% |
| Imported Emulsion B.A.M | 20% |
| Imported Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls of tariff number 3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90 but excluding those originating from EAC Partner States that meet the EAC Rules of Origin | 25% or KShs. 75 per kg whichever is higher |
| Imported cartons, boxes and cases of corrugated paper or paper board and imported folding cartons, boxes and case of non-corrugated paper or paper board and imported skillets, free-hinge lid packets of tariff heading 4819.10.00, 4819.20.10 and 4819.20.90 | 25% |
| Printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00 but excluding those originating from EAC Partner States that meet the EAC Rules of Origin | 25% or KShs. 200 per kg whichever is higher |
| Imported plates of plastic of tariff heading 3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90 but excluding those originating from EAC Partner States that meet the EAC Rules of Origin | 25% or KShs. 200 per kg whichever is higher |
| Imported paper or paper board, labels of all kinds whether or not printed of tariff heading 4821.10.00 and 4821.90.00 but excluding those originating from EAC Partner States that meet the EAC Rules of Origin | 25% or KShs. 150 per kg whichever is higher |



| Services | Effective 1 st July 2023 |
|--|-------------------------------------|
| Telephone and internet data services | 15% |
| Fees charged for money transfer services by banks, money transfer agencies and other financial service providers | 15% |
| Excise duty on fees charged for money transfer services by cellular phone service providers or payment service providers licensed under the National Payment System Act, 2011 *fees charged by payment service providers under the NPS Act (other than cellular phone service providers) are currently not subject to excise duty | 15% |
| Fees charged by payment service providers licenced under the National Payment Systems Act, 2011 (other than cellular phone service providers) | 15% |
| Excise duty on betting (on the amount wagered or staked) | 15% |
| Excise duty on gaming (on the amount wagered or staked) | 15% |
| Excise duty on the amount paid/charged to participate in a prize competition | 15% |
| Excise duty on the amount paid/charged to buy the lottery ticket (excluding charitable lotteries) | 15% |
| Fees charged on advertisement on the internet, social media, television, print media, billboards and radio stations on alcoholic beverages, betting, gaming, lotteries and prize competitions | 15% |

- The specified rates shall be adjusted after every year to cater for inflation. The Commissioner is however empowered to exempt from this requirement certain products depending on the prevailing economic circumstances. However, effective 1st July 2023, the Commissioner no longer have the powers to adjust the excise duty rate on excisable goods.
- Excise Stamps now required on bottled water, juices, soda, other non-alcoholic beverages and cosmetics.
- Penalties and interest applicable on late payment of excise duty on imports are charged in line with the rates provided for by the Tax Procedures Act i.e. 5% penalty and 1% interest per month.
- Effective 27th December 2024, manufacturers of alcoholic beverages to remit excise duty by the fifth day of the following month upon removal of the goods from the stockroom. Similarly, betting and gaming service providers to remit excise duty before the end of the following day.
- Effective 1st July 2023, the Commissioner has the power to induct other industries into the 24-hour excise duty payment regime.

UGANDA

CUSTOMS DUTY

- Customs duties chargeable under the East African Community.
- Customs Management Act for imports outside the EAC region:

| | |
|--|-----|
| Raw materials and certain machinery | 0% |
| Semi-finished goods | 10% |
| Finished goods | 25% |
| Textiles & garments, iron & steel, furniture, meat & dairy | 35% |
- Member countries have powers to levy additional anti-dumping or countervailing duty rates in addition to the normal duty rates.
- Goods imported from COMESA have preferential rates.

EXCISE DUTY

Definition of Citizen

The term 'Citizen' is defined as a technical term to mean;

- An individual who is a citizen of a Partner State of the EAC i.e. Uganda, Kenya, Rwanda, Burundi, Tanzania and South Sudan or;
- An entity incorporated under the laws of a Partner State of the East African Community, in which at least 51% of its shares are held by a person who is a citizen of a Partner State of the East African Community.

Registration of manufacturers, importers and providers of excisable supplies

All manufacturers, importers and providers of excisable goods and services except retailers are required to apply for registration with the URA. These taxpayers are also be required to register the premises from which the excisable goods or services are supplied. The application is subject to the Commissioner's approval based on certain criteria and a certificate of registration is issued thereon. This registration is valid for 12 months.

Interest on unpaid excise duty arising from the provision of excisable services

Interest of 2% per month compounded is now chargeable on any unpaid excise duty arising from the provision of excisable services. Previously, this was limited to unpaid excise duty arising from the manufacture or importation of excisable goods.

Tax stamp

- A person dealing in goods, whether locally manufactured or imported shall affix a tax stamp on any goods locally manufactured or imported as may be prescribed by the Minister.

Penal tax relating to tax stamps

- A taxpayer who fails to affix a tax stamp on goods prescribed is liable to pay a penal tax equivalent to double the tax due on goods or UGX. 50 million, whichever is higher.
- A person who prints over or defaces a tax stamp affixed on prescribed goods prescribed is liable to pay a penal tax equivalent to double the tax due on the goods or UGX. 20 million, whichever is higher.
- A person found in possession of prescribed goods on which a tax stamp is not affixed, is liable to pay a penal tax equivalent to double the tax due on the goods or UGX. 50 million, whichever is higher.
- A person who attempts to acquire or who acquires or sells a tax stamp without the authority of the Commissioner commits an offence and is liable on conviction, to a penalty equivalent to double the tax due on the goods or UGX. 10 million whichever is higher.

TANZANIA

CUSTOMS DUTY

- Customs duties chargeable under the East African Community Customs Management Act for imports outside the EAC region:

| | |
|---|---------|
| Raw materials, pharmaceuticals, hand hoe and agricultural implements | 0% |
| Semi-finished goods (semi-processed and intermediate goods) | 10% |
| Finished consumer goods | 25%/35% |
| Other Fees/Levies: | |
| Customs Processing Fee (applied on FOB price) | 0.6% |
| Infrastructure Development Levy | 1.5% |
| Some sensitive items are charged at a higher rate than 25% with the intention of protecting local industries (e.g. Yoghurt milk and Cream containing sweetening matter, Cane or beet sugar and chemically pure sucrose in solid form, Sacks and bags of a kind used for the packing of goods, Worn clothing and other worn articles). | |

- Member countries have powers to levy additional anti-dumping or countervailing duty rates in addition to the normal duty rates. Tanzania is also a member of the Southern African Development Community (SADC). Where goods are subject to a lower rate of duty from another trade bloc, such as the SADC, the lower duty rate applies until the trading arrangements between the trading blocs are harmonised.

EXCISE DUTY

| Item | Duty Rate FY 2024/25 |
|---|---|
| Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter | TZS 9.90 per litre / TZS 255.20 per litre |
| Sugar confectionary (including white chocolate), not containing cocoa. chewing gum, whether or not sugar-coated | TZS 500 per kg/ TZS 700 per kg |
| Chocolate and other food preparations containing cocoa filled, Chocolate in divided bars etc filled with cocoa and sugar preparation | TZS 500 per kg/ TZS 700 per kg |
| Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products, sweet biscuits | TZS 500 per kg/ TZS 700 per kg |
| Imported Tomato ketchup and other tomato sauces (other than tomato paste) and other imported sauces and preparations therefore: mixed condiments and mixed seasonings mustard flour and meal and prepared mustard | TZS 300 per kg |
| Electric accumulators, including separators thereof, whether or not rectangular (including square) | 5%/ 10% |
| Other lead-acid accumulators | 5%/ 10% |

| Item | Duty Rate FY 2024/25 |
|---|---|
| Imported powdered beer of heading 2106.90.90 | 1,012.80 per kg |
| Imported powdered juice of heading 2106.90.00 | TZS 255.20 per kg |
| Water including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter or flavoured; ice and snow | TZS 56.00 per litre / TZS 70.46 per litre |
| Water, including mineral water and aerated water, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 20.09 | TZS 67.10 per litre |
| Beer made from malt (100 % locally grown barley) | TZS 620 per litre |
| Beer made from malt (wholly or partially imported barley) | TZS 918 per litre |
| Malt beer (imported) | TZS 963 per litre |
| Opaque beer (imported) | TZS 963.90 per litre |
| Non-alcoholic beer | TZS 673.20 per litre / 706.86 per litre |
| Clear beer (with 100% local unmalted cereals) | TZS 540 per litre |
| Cider | TZS 2,959.74 per litre |
| Wine with domestic grapes content exceeding 75% | TZS 200 per litre |
| Wines produced from locally grown fruits such as banana, tomato, rosella, etc. other than grapes with domestic content exceeding 75% | TZS 73.20 per litre |
| Wine with more than 25% imported grapes | TZS 2,466.45 per litre |
| Spirits obtained by distilling grape wine or grape marc from locally produced grapes | TZS 540 per litre |
| Locally manufactured ready to drink of not more than 7% alcohol by volume (ABV) | TZS 2,466.45 per litre |
| Other locally produced vodka | TZS 3,978.00 per litre |
| Imported spirits, rum, other spirits obtained by distilling fermented sugar products, gin & Geneva, vodka, liqueurs and cordials, whiskies, and other distilled spirits (e.g. Uganda Waragi) | TZS 4,386.06 per litre |
| Cigarettes without filter tip containing more than 75% domestic tobacco | TZS 14,936.40 per mil |
| Cigarettes with filter containing more than 75% domestic tobacco | TZS 35,310 per mil |
| Other cigarettes not mentioned above | TZS 67,076.10 per mil |
| Cut rag/filler | TZS 33,878.88 per kg |
| Cut rag/filler locally produced containing domestic tobacco exceeding 75% | TZS 9,600 per kg |
| Homogenised or Reconstituted tobacco | TZS 33,878.88 per kg |
| Other tobacco not mentioned above | TZS 33,878.88 per kg |
| Motor spirit (gasoline) premium | TZS 80 per litre |
| Motor spirit (gasoline) regular | TZS 379 per litre |
| Gas oil (diesel) | TZS 255 per litre |
| Jet fuel | TZS 0 per litre |
| Illuminated kerosene | TZS 465 per litre |
| Other medium oil and preparation | TZS 9.32 per litre |
| Industrial diesel oil | TZS 392 per litre |
| Heavy furnace oil | TZS 0 per litre |
| Lubrication oil | TZS 735.90 per m ³ |
| Lubrication greases | TZS 0.87 per kg |
| Music and film products | TZS 55 per unit |
| Liquefied petroleum gas (LPG) | TZS 0.45 per feet ³ |
| Locally produced undenatured ethyl alcohol strength by volume 80% vol or higher; ethyl alcohol and other spirits, denatured, of any strength | TZS 5,000 per litre |
| Imported undenatured ethyl alcohol strength by volume 80% vol or higher; ethyl alcohol and other spirits, denatured, of any strength | TZS 7,000 per litre |
| Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers. | TZS 20 per kg |
| Other Cigars, cheroots, cigarillos and cigarettes of tobacco or of tobacco substitutes | 30% |
| Tobacco intended for smoking in a water pipe and which consists of a mixture of tobacco and glycerol | 30% |
| Electronic cigarettes and similar personal electric vaporising devices | 30% |
| Smoking pipes (including pipe bowls) and cigar or cigarette holders, and parts thereof | 30% |

| Item | Duty Rate FY 2024/25 |
|--|-------------------------|
| Other games, operated by coins, banknotes, bank cards, tokens or by any other means of payment, other than automatic bowling alley equipment | 30% |
| Artificial human hair (locally manufactured/imported) | 10% / 25% |
| Yarn of man-made staple fibres other than sewing thread (locally manufactured/imported) | 10% |
| Twine, cordage, ropes and cables (locally manufactured/imported) | 10% |
| Imported tubes, pipes and hoses, and fittings thereof (example, joints, elbows, flanges) of plastics | 10% |
| Satellite and cable television broadcasting | 5% |
| Electronic communication services | 17% |
| Charges or fees by a telecommunication service provider for money transfer service | 10% |
| Charges or fees by a financial institution for services provided by such institution | 10% |
| Disposable plastic bags | 50% |
| Motor vehicle with engine size less than 1,000cc | 0% |
| Motor vehicle with engine size greater than 1,000cc but not exceeding 2,000cc | 5% |
| Motor vehicle with engine size greater than 2,000cc | 10% |
| Old passenger motor vehicles (more than 5 years) | 10% |
| Old motor vehicles (8 years but not more than 10 years) | 15% |
| Old motor vehicles (more than 10 years) | 30% |
| Imported used spare parts (for vehicles, motorcycles, domestic and electrical appliances) | 25% |
| Imported furniture (per unit) | 20% |
| Aircraft (including helicopters, aeroplanes) but excluding commercial aircraft, yachts, and other vessels for pleasure or sport | 20% |
| Charges or fees by the payment system provider licensed under the National Payment Systems Act for money transfer and payment services | 10% |
| Imported used motorcycle (More than three years) | 10% |

NB:

- Excise duty on age charged to an old motor vehicle is charged separately in addition to normal excise duty.
- Excise duty paid on raw materials (HS Code 2207.10.00) used in manufacturing other excisable goods (HS Codes 22.04 or 22.08) can be offset against the excise duty payable on the finished goods.

Submission of Monthly Returns

Any manufacturer of excisable scheduled articles or provider of excisable services shall submit a monthly return not later than 25th day of the month following the month to which the return relates (FA 2024).



WITHHOLDING TAX RATES

KENYA

| Withholding Tax Rates | Resident | Non-Resident |
|---|--|---------------|
| Telecommunication services | – | 5%* |
| Artists and entertainers (excluding payment to approved foreign actors and crew) | – | 20%* |
| Royalties (15) | 5% | 20%* |
| Dividends (1)/(2)/(18) | 5%* | 15%* |
| Dividends paid to companies having 12.5% or more voting power | Exempt | 15%* |
| Renting property other than immovable (3) | – | 15%* |
| Rent – land and buildings (13) | 7.5% (10% prior to 1 st January 2024) | 30%* |
| Interest (including 2-year Gov't bearer bonds) (4)/(16)/(17) | 15% | 15%* |
| Interest from other bearer bonds (5) | 25% | 25%* |
| Interest on bearer bonds with maturity of 10 years and above | 10% | 15%* |
| Housing bond interest (4)/(5) | 10% | 15%* |
| Deemed interest on interest free loans in respect of thin capitalization | – | 15%* |
| Pension and taxable withdrawals from pension / provident funds (6) | 10–25%* | 5%* |
| Insurance commissions (7) | 10% | Not Specified |
| Contractual fees (8)/(9)/(17) | 3% | 20%* |
| Management, professional or training fees (8)/(9)/(10)/(11)/(14)/(17) | 5% | 20%* |
| Surplus pension fund withdrawals | 25% | 25%* |
| Shipping business or aircraft | – | 2.5%* |
| Interest income from listed infrastructure bonds | – | – |
| Insurance and reinsurance premium except insurance paid for aircraft insurance | – | 5%* |
| Gross winnings from betting, lotteries and gaming | 20% | 20% |
| Sales promotion, marketing, advertising services and transportation of goods (excluding air and shipping transport services) (19) | (5% effective 1 st July 2023) | 20%* |
| Disbursement of deemed income to beneficiaries | 25% | – |
| Gains accruing to non-residents where a resident person enters into a financial derivative arrangement | – | 15% |
| Digital content monetisation | 5% | 20% |
| Payment made by public entity for supply of goods to a public entities | 0.5% | 5% |
| Making or facilitating payment on digital marketplace | 5% | 20% |
| Sale of scrap | 1.5% | 1.5% |

* Final tax

- (1) East African Community partner state citizens at resident rate of 5%.
- (2) Dividends received by a specified financial institution operating in Kenya chargeable to corporation tax.
- (3) Renting of aircraft, aircraft engines, locomotives and rolling stock exempt.
- (4) Final tax for individuals. Not final tax for resident companies, trusts, clubs etc.
- (5) Limited to income of KShs. 300,000 p.a
- (6) Rates based on graduated PAYE tax bands of KShs. 400,000 for withdrawals after a 15-year period or 50 years of age. For early withdrawals, higher rates apply and withholding tax is not final tax.
- (7) 5% if paid to a resident broker.
- (8) 15% if paid to East African Community countries.
- (9) For all payments in excess of KShs. 24,000 p.m.
- (10) Exempt on agency fees paid on export of flowers and fruits and vegetables and on audit fees for analysis of maximum residue limits paid to non-resident laboratories or auditors. Also exempt on courses provided by colleges, universities and institutions that promote adult education.
- (11) Extractive industries – the rate is 10% for sub-contractors. In the case of petroleum companies, for management, professional and training fees the rate is 10%.
- (12) In case of mining and petroleum companies, the net gain arising for a farm-out is subject to tax at a rate based on percentage farmed-out.
- (13) Deducted by tenants and agents appointed by the Commissioner.

- (14) Payments for management, professional and training paid by SEZ Developer or Operator to a non-resident – exempt for the first 10 years.
- (15) Royalty paid by SEZ, Developer or Operator to a non-resident is exempt from withholding tax for the first 10 years.
- (16) Interest paid by SEZ, Developer or Operator to a non-resident is exempt from withholding tax for the first 10 years.
- (17) Payments made by a branch in Kenya to its Head Office is subject to withholding tax provided the Head Office is domiciled in a country with a Double Tax Agreement with Kenya.
- (18) Rate not applicable to East African Community citizens.
- (19) Rate for non-residents prior to April 2020 is 10%. Resident rate of 5% introduced effective 1st July 2023.

Payment Date: 20th following the month after it becomes payable up to 30th June 2023. Effective 1st July 2023, withholding tax payments are due within 5 working days after payment.

Double tax treaties: Lower rates may apply where tax treaties are in force. Currently with Canada, Denmark, France, Germany, India, Iran, Norway, South Korea, South Africa, Sweden, Qatar, United Arab Emirates, United Kingdom and Zambia. For persons to be entitled to DTA benefits, at least 50% of the ownership has to be enjoyed by the residents of the contracting state. DTA with India amended with effect from 1st January 2018.

The withholding tax rates for countries with which Kenya has Double Tax Taxation Agreements (DTA's) are:

| Payment in respect of DTA rates: | Canada | Denmark | France | Germany | India (re-negotiated) | Norway |
|--|----------------------|----------------------|--------------------|--------------------|-----------------------|----------------------|
| Management or professional fees | 15% | 20% | ** | 15% | 10% | 20% |
| Royalties | 15% | 20% | 10% | 15% | 10% | 20% |
| Rent from immovable property | 30% | 30% | 30% | 30% | 30% | 30% |
| Rent from movable property | 15% | 15% | 15% | 15% | 15% | 15% |
| Dividends | 15%/25% ^b | 20%/30% ^a | 10% | 15% | 10% | 15%/25% ^a |
| Interest (including from Government bonds) | 15% | 20% | 12% | 15% | 10% | 20% |
| Pension and annuities | 15% | 5% [*] | 5% [*] | 5% [*] | 5% [*] | 5% [*] |
| Entertainment and sporting events | 20% ^{***} | 20% ^{***} | 20% ^{***} | 20% ^{***} | 20% ^{***} | 20% ^{***} |

| Payment in respect of DTA rates: | South Africa | South Korea | Sweden | Qatar | UAE and Iran | UK | Zambia |
|--|--------------------|---------------------|----------------------|---------------------|--------------------|--------------------|------------------|
| Management or professional fees | ** | ** | 20% | ** | ** | 12.5% | 20% |
| Royalties | 10% | 10% | 20% | 10% | 10% | 15% | *** |
| Rent from immovable property | 30% | 30% | 30% | 30% | 30% | 30% | 30% |
| Rent from movable property | 15% | 15% | 15% | 15% | 15% | 15% | 15% |
| Dividends | 10% | 8%/10% ^a | 15%/25% ^a | 5%/10% ^b | 5% | 15% | **** |
| Interest (including from Government bonds) | 10% | 12% | 15% | 10% | 10% | 15% | **** |
| Pension and annuities | 5% [*] | 5% [*] | 5% [*] | 5% [*] | 5% [*] | 5% | 5% [*] |
| Entertainment and sporting events | 20% ^{***} | 20% ^{***} | 20% ^{***} | 20% ^{***} | 20% ^{***} | 20% ^{***} | 20% [*] |



NOTES

The above rates are the maximum rates of taxation applicable if the income derived from Kenya by a non-resident.

* – Withholding tax applicable on pension and annuities paid to non-residents.

** – Professional fees are exempt from taxation in Kenya unless the non-resident has a fixed base regularly available on Kenya or the stay in Kenya exceeds 183 days in any year.

*** – Where activities are exercised in Kenya, provided that their visit to Kenya is not wholly or substantially supported from public funds of their State or local authority, withholding tax rate is applicable on such activities paid to non-residents.

**** – Exempt from taxation in Kenya provided the income is subject to tax in the non-resident's State.

a – where company owns 25% or more voting rights/in any other case.

b – where company owns 10% or more voting rights/in any other case.

Any exemption from tax or a reduced tax rate in Kenya as a result of the application of the arrangement in a DTA shall not be applicable to person who, for the purposes of the arrangement, is a resident of the other contracting state if 50% or more of the underlying ownership of that person is held by a person or persons who are not residents of that other contracting state for the purposes of the agreement.

Thin capitalisation/Interest restriction: Thin capitalisation arises where a person's gross interest payable to non-resident related persons and third parties exceeds thirty percent of their earnings before interest, taxes, depreciation and amortization in any financial year.

Where a person is thinly capitalised, the Income Tax Act provides for the disallowance, for tax purposes, of part of the interest that exceeds the thirty percent of EBITDA. In addition, any foreign exchange loss on such loans is also deferred for tax purposes. Effective 1st January 2022, the thin capitalisation provisions were amended to restrict the total interest claimable in a year of income to 30% of earnings before interest, taxes, depreciation and amortization ("EBITDA"); provided in the calculation of EBITDA, any income that is exempt from tax is to be excluded. This is applicable both to locally and foreign controlled companies.

The interest restriction will apply to:

- interest on all loans;
- payments that are economically equivalent to interest; and
- expenses incurred in connection with raising of finance.

With effect from 1st January 2024, the restriction based on 30% of the EBITDA will only apply to foreign loans. This means that interest expense with respect to local loans will not be subjected to the restriction. The interest expenses on foreign loans in excess of 30% of the EBITDA shall be an allowable deduction in the subsequent three years of income provided that the interest expense claimed in each year shall not exceed 30% of the EBITDA.

The restriction of the payment of deemed interest on interest free loans by entities controlled by a non-resident alone or together with not more than four other persons (excluding a licensed bank or a financial institution) still applies.

The above interest restriction provisions will not apply to banks or financial institutions and micro, small enterprises registered under the Micro and Small Enterprises Act, 2012, Microfinance institutions licensed and non-deposit taking microfinance businesses under the Microfinance Act, 2006, entities licensed under the Hire Purchase Act, non-deposit taking institutions involved in lending and leasing business, Companies undertaking the manufacture of human vaccines, and Holding companies that are regulated under the Capital Markets Act.

Companies engaged in manufacturing whose cumulative investment in the preceding five years from the commencement of this provision is at least five billion shillings; companies engaged in manufacturing whose cumulative investment is at least five billion shillings, provided that the investment shall have been made outside Nairobi City County and Mombasa County were not subject to this restriction up to 1st July 2023 after which they are no longer exempt. Further, the interest restriction shall however not apply where the interest is exempt from tax under the Income Tax Act.

Deferral of Foreign Exchange Losses

Further to interest restriction, effective 1st July 2023, forex losses for persons whose gross interest paid or payable to non-residents exceeds 30% of the EBITDA will be deferred (and not taken into account) and claimed over a period of five years from the date the losses were realized. Prior to 1st July 2023 changes, the Income Tax Act was not specific on how long a taxpayer would defer the realised forex losses.

Effective 1st July 2023, a thinly capitalized person shall be required to defer their forex losses (for tax purposes) and claim them for a period not exceeding 5 years from the date the loss was realised. However, the determination of thin capitalization for forex restriction purposes includes local loans.

Control in relation to a person shall now include:

- a) A person holding at least 20% voting rights in a company, directly or indirectly;
- b) A loan advanced by one person to another, constituting at least 70% of the book value of the total assets of the entity, excluding a loan from a financial institution not associated with the person advancing the loan;
- c) A guarantee by a person for any form of indebtedness constituting at least 70% of the total indebtedness of the entity, excluding a guarantee from a financial institution not associated with that guarantor;
- d) The power to appoint more than half of the board of directors of the entity, or at least one director or executive member of the governing board of that entity;
- e) A person who has exclusive rights over the know-how (includes patent, copyright, trademark, license, franchise, and any other business or commercial right) on which the entity is wholly dependent for the manufacture or processing of goods or articles or business carried on by the other person;
- f) The person or another person designated by him supplies at least 90% of the purchases of the entity; or in the opinion of the Commissioner, influences the price or other conditions relating to the supply of the purchases of the entity;
- g) The person or another person designated by him purchases 90% of the sales of the entity; or in the opinion of the Commissioner, influences the price or any other conditions of sales of the entity; or
- h) Any other relationship, dealing or practice that the Commissioner may deem to constitute control.

The definition of control effective 1st July 2021, will be a consideration in determining the residency status of a corporate body and evaluation of whether a Kenyan entity is an ultimate parent company. In addition, it will be a consideration for compliance with transfer pricing provisions.

Withholding tax is payable on the deemed interest, and neither the deemed interest nor the withholding tax paid thereon are deductible for tax purposes. A bank or a financial institution licensed under the Banking Act is exempt from this provision.

UGANDA

| Withholding Tax Rates | Resident | Non-Resident |
|--|----------|--|
| Dividends* | 15% | 15% |
| Interest payments | 15% | 15% |
| Professional fees | 6% | 15% |
| Interest payments on government securities | 20% | 20% |
| Payment of reinsurance premiums | - | 15% |
| Payment of royalty, rent, natural resource payment, management charge to a non-resident person | - | 15% |
| Non-resident – entertainer, sport person, theatrical, musical or other non-resident | - | 15% |
| Non-resident – ship operator, charterer, air transport operator | - | 2% |
| Purchase of an asset from a non-resident | - | 10% |
| Purchase of a business or a business asset from a resident | 6% | 10% |
| Winnings from sports and pool betting | 15% | 15% |
| Non-resident transmitting messages by cable, radio, optical fibre, or satellite communication or providing internet connectivity services | - | 5% |
| Purchase of land other than land which is a business asset by a resident person from a resident person | 0.5% | - |
| Commission paid to insurance and advertising agents | 10% | 15% |
| Commission paid to payment service provider | - | Commissioner may require the taxpayer to withhold tax from any payment to non-resident service provider at a rate he may specify |
| Non-resident services contract- taxpayer is required to notify the Commissioner in writing of entering an agreement with a non-resident service provider of the nature of the agreement, likely duration of agreement, name and postal address of the non-resident and total amount estimated to be payable under the agreement to the non-resident person | - | |

*The WHT rate applicable for dividend payments from companies listed on the Uganda stock exchange to individuals under Section 118 is 10%.

Payment Date: 15th of the following month after it becomes payable.

Double Taxation Agreements (DTAs): Lower rates may apply where DTAs are in force. Currently, Uganda has DTAs with Denmark, India, Norway, Mauritius, Netherlands, South Africa, United Kingdom, Italy & Zambia. EAC and Egypt treaties are awaiting ratification by parliament.

TANZANIA

| Withholding Tax Rates | Resident | Non-Resident |
|---|---------------------------|--------------|
| Insurance premium | N/A | 5% |
| Service fees | 5% | 15% |
| Management and technical services fees (mining, oil and gas) | 5% | 15% |
| Natural resource payment | 15% | 15% |
| Royalty to resident sports entity or Tanzania Football Federation | 5% | 5% |
| Royalty for the use of, or right to use, a cinematography film, videotape, sound recording or any other like medium | 10% | 10% |
| Royalty-others | 15% | 15% |
| Payments for goods sold to a resident corporation whose budget is wholly or substantially financed by the Government of Tanzania | 2% of gross payment | N/A |
| Interest | 10% | 10% |
| Rent: | | |
| – land and buildings | 10% | 10% |
| – aircraft lease | 10% | 10% |
| – construction equipment and machinery | 10% | 10% |
| – other assets | 0% | 10% |
| Dividend: | | |
| – to company controlling 25% or more | 5% | N/A |
| – from DSE listed company | 5% | 5% |
| – otherwise | 10% | 10% |
| Directors' fees (not in full-time service) | 15% | 15% |
| Commission on money and transfer through mobile phones | 10% | N/A |
| Payment for agricultural, livestock and fishery products (except agricultural marketing, cooperative societies and cooperative unions) to a resident supplier | 2% | N/A |
| Payment for purchase of minerals made to a primary licence holder or artisanal miner | 2% | N/A |
| Payment made to resident person in respect of verified carbon emission reduction | 10% final withholding tax | N/A |
| Payment to resident digital content creators by residents and non-residents | 5% | N/A |
| Payment made to a resident for exchange or transfer of digital assets by residents or non-residents | 3% | N/A |
| Industrial and metallic minerals except for salt or precious metals supplied by holder of a primary mining license of artisanal license | 2% final withholding tax | N/A |

Payment Date: 7th of the following month after it becomes payable (refer to the definition of the term "payment" in the Income Tax Act) and the deduction is processed through the withholding tax portal on the TRA revenue gateway.

Payment has been defined under the Income Tax Act to include assets or money transfer, transfer or decrease of liability, provision of services, the use or available for use of money or an asset and the creation of an asset in another person.

Exemption

- Relief may apply for Government projects (FA 2019).
- Interest from Treasury Bonds of not less than 3 years issued and listed on the Dar es Salaam Stock Exchange from 1st July 2021 (FA 2021).
- Interest paid to a holder of corporate or municipal bonds issued and listed at the Dar es Salaam Stock Exchange with effect from 1st July, 2022 (FA 2022).

- Amount derived from National Health Insurance Fund from investment returns on fixed deposit, treasury bonds, treasury bills or dividends (FA 2023).

Double Taxation Agreements (DTAs): Lower rates may apply where tax treaties are in force. Currently with Canada, Denmark, Finland, India, Italy, Norway, South Africa, Sweden, UAE and Zambia.

| Mineral Royalties (based on gross values) | Rate |
|--|------|
| Diamonds, gemstones, metallic minerals such as copper, gold, silver and the platinum group of minerals | 6% |
| Uranium | 5% |
| General rate | 3% |
| Gems | 1% |

REFUND OF OVERPAID TAX

KENYA

- Where a taxpayer has overpaid tax, the taxpayer may apply to the Commissioner for a refund of the overpaid tax. If the Commissioner is satisfied with the refund, the overpayment shall be applied to payment of any other future tax or issue cash refund to the taxpayer.
- Prior to 1st July 2023, the Commissioner has 90days to make a determination failure to which the application shall be deemed ascertained and approved. This timeline has however been extended to 120days effective 1st July 2023 after which if a determination is not made, the application is deemed as ascertained.
- The Commissioner has introduced a new provision on approved refunds pending payment. The provision states that when the Commissioner has approved a refund claim and the same is to be utilized against any outstanding tax liability, the penalties and interest for the outstanding liability will cease to accrue on the date the Commissioner gives notification that the refund claim has been ascertained.
- Any tax liability that remains unpaid or outstanding after the Commissioner has applied the refund amount towards payment of any outstanding tax shall continue accruing interest and penalties in accordance to the provision of the TPA prior to 1st July 2023. However, effective 1st July 2023, where a taxpayer makes an application for refund of overpaid taxes, the Commissioner will be required to refund the cash within 6 months from the date of ascertainment of the refund, failure to which the overpaid tax shall be applied to offset the taxpayer's outstanding tax debt or future tax liabilities.
- Where a taxpayer overpays an instalment tax due under Section 12 of the Income Tax Act, the Commissioner shall apply the overpaid tax to offset the taxpayer's future instalment tax liability. This therefore means that a taxpayer cannot apply for a refund of overpaid instalment taxes. Where a taxpayer prefers a refund of overpaid tax, the same will be receivable by a taxpayer within 2 years from the date of application.
- The refund application timeline for Value Added Tax is 12 months effective 27th December 2024.

SET-OFF OF TAX

KENYA

- Any tax or duty payable to the Kenya Revenue Authority may be offset on request against any refund of tax or duty confirmed by the Authority upon application by the taxpayer.
- Tax paid in another country on employment income by a Kenyan citizen can be offset against tax payable on that income in Kenya to the maximum of tax payable in Kenya on the said income.

UGANDA

Credit is allowed for any foreign income tax paid by a taxpayer in respect of foreign sourced income included in the gross income of the taxpayer. The amount of foreign tax credit shall not exceed the Ugandan income tax payable on the taxpayer's foreign source income for that year.

TANZANIA

For overpaid tax, the taxpayer is required to apply for a refund in writing within 3 years from the time the tax was overpaid or the date a tax decision or other decision giving rise to a tax overpayment is made. Any tax or duty payable to the Tanzania Revenue Authority may be offset against the refund application at the discretion of the Commissioner.

STAMP DUTY

KENYA

| | |
|--|-------------------|
| Creation or increase of share capital | 1% |
| Transfer of stock or marketable security (except quoted securities, which are exempt) | 1% |
| Registration of debentures, mortgages and charges | 0.1% |
| Transfer of immovable property: | |
| Within a municipality | 4% |
| Outside a municipality | 2% |
| Lease: | |
| Between 1 and 3 years | 1% of annual rent |
| Over 3 years | 2% of annual rent |

Exemptions

- New or expanded listing on stock exchange.
- Transfer of immovable property between husband and wife or transfer of a family property to a limited liability company wholly owned by the family.
- Land acquired for construction or expansion of educational institutions.
- Purchase of a house by a first time house owner under affordable housing scheme.
- Instruments creating asset-backed securities through a scheme approved by the Capital Markets Authority.
- Transfers between holding and subsidiary companies with shareholding exceeding 90%.
- Sukuk arrangement – transfers of title from the original owner to the entity representing the interest of sukuk holders then back to the original owner as a requirement of the agreement.
- Instruments executed for purposes of collection and recovery of tax.
- An instrument relating to the business activities of special economic zone enterprises, developers and operators licensed under the Special Economic Zones Act 2015.
- Instruments executed in favour of a mortgage refinance company effective 1st July 2022.

UGANDA

| | |
|---|--------------|
| Capital duty on nominal share capital or increase of it of any company incorporated in Uganda with limited liability – of the total value | 0.5% |
| Where the increase is by a Capital Markets regulated private equity or venture capital firm | Nil |
| Professional licence or certificate | UGX. 100,000 |
| Promissory note | UGX. 15,000 |
| Lease – of the total value | 1% |
| Transfer – of the total value | 1.5% |
| Transfer – of shares in an incorporated company listed on the stock exchange, arising from the trading of those shares on the stock exchange | 0.5% |
| Exchange of property – of the total value | 2% |
| Execution of bank guarantees, insurance performance bonds, indemnity bonds and all similar debt instruments | UGX. 100,000 |
| Agreement relating to deposit of title –deeds, pawn pledge of the total value | Nil |
| Agricultural Insurance Policy | Nil |
| Security bond or Mortgage deed–executed by way of security for the due execution of an office, or to account for money or other property received by virtue of security bond or mortgage deed executed by surety to secure a loan or credit facility of entry total value | Nil |
| Trust –concerning any property made by any writing including a transfer from a holder of letters of administration or probate to a beneficiary | UGX. 15,000 |

Exemptions

Instruments executed by or on behalf of Government or Company, for the purposes of implementing investment projects in industrial parks and free zones, whose investors have an investment capital of at least USD 50 million are exempted from stamp duty.

Instruments executed in the implementation of investment projects in industrial parks or free zones, whose operators have a minimum investment capital of at least USD 10 million (for foreigners) and USD 2 million (for Citizens) are exempted from stamp duty. The investors should have a capacity to use 50% of raw materials sourced locally and employ a minimum of 100 citizens.

A manufacturer whose investment capital is USD 50 million or more and who has capacity to use at least seventy percent of the locally produced raw materials, and employs at least seventy percent citizens with an aggregate wage of at least seventy percent of the total wage bill and meets the conditions prescribed in the stamp duty act is exempted from stamp duty on the execution of the following documents:

- i. Debenture; whether a mortgage debenture or not; being of marketable security – of total value;
- ii. Further charge; any instrument imposing a further charge on a mortgaged property – of total value;
- iii. Lease of land – of total value;
- iv. Increase of share capital;
- v. Transfer of land; and
- vi. An agreement to provide services on conducting a feasibility study or developing a design for construction.

TANZANIA

| | |
|---|--|
| Transfer of shares, debentures, or any interest secured by a bond, mortgage deed, or insurance policy | 1 percent of the value of the shares approved by the Board |
| Lease agreements | 1 percent of the annual reserved rent for lease of all durations |
| Legal and commercial instruments are charged at specific rates as specified in the Stamp Duty Act | – |

Stamp duty on conveyance of agricultural land and acknowledgement of debt is restricted to TZS 500.

Note: – Due date is within 30 days from the date an instrument is executed.



VALUE ADDED TAX

KENYA

Rates

| | |
|---|------|
| Standard rate (including on sale and rental of non-residential premises) | |
| Tax year 2019 up to 31 st March 2020 | 16% |
| 1 st April 2020 to 31 st December 2020 | 14% |
| 1 st January 2021 and subsequently onwards | 16% |
| Supply of specified taxable goods and services; export of goods and taxable services including provision of transit services; supply of goods and taxable services to EPZ enterprises, and ship stores and taxable services to international sea and air carriers | 0% |
| Catering levy for hotels and restaurants | 2% |
| VAT as a fraction of inclusive price (standard rate) –16% | 4/29 |
| Fuel (petrol, kerosene and spirits) | 16% |
| Liquefied petroleum gas including propane (taxable value now includes excise duty, fees and other charges) | 0% |

Registration threshold – KShs. 5 million turnover p.a excluding taxable supply of capital assets and taxable supply resulting from sale of whole or part of the business.

Non-resident persons supplying imported digital services over the internet or an electronic network or through a digital marketplace are required to register for VAT regardless of their turnover.

- (1) A person who is required to register in Kenya but does not have a fixed place of business in Kenya shall appoint a tax representative in Kenya.
- (2) Disposal of items of property, plant and equipment by an exempt person is not subject to VAT.

Due date – 20th of the following month.

VAT on imported services– payable, at the standard rate on taxable services, by the importer where the supply is made by a non-registered person to any person, the supply would have been taxable if it had been made in Kenya and the tax paid on such service would not be available for claim as input VAT credit.

Taxable supplies made over the internet or an electronic network or through a digital marketplace are however not subject to reverse VAT.

Time of supply – the earliest of the date on which the goods are delivered or services performed; the issuance of a certificate by an architect; the issuance of an invoice or the receipt of payment. With regard to the national carrier (Kenya Airways) the time of supply shall be the date of delivery of goods or performance of services.

Value of supply including supply of imported services – shall be a total of the amount in money paid or payable, or open market value at the time of the supply of an amount paid or payable for the supply and any taxes, duties, levies, fees and charges paid or payable on, or by reason of the supply. This now includes mobile cellular services.

Withholding VAT – 2% of the taxable value to be withheld at the time of paying for supplies by Government ministries and departments, County Governments and appointed withholding VAT agents and prior to 1st July 2023 was to be remitted on or before the twentieth day of the following month. With effect from 1st July 2023, withholding VAT should be remitted within five working days after payment.

Input VAT – recovery of VAT restricted on acquisition and repairs of passenger cars or mini buses unless used in supplying taxable services; and entertainment, restaurant and accommodation services, unless they are provided in the ordinary course of business or while the recipient is away from home for the purposes of business. Input VAT deduction will not be allowable where the person does not hold the relevant documentation or the registered supplier has not declared the sales invoice in a return.

VAT refunds – Where input VAT exceeds output VAT, the excess is refundable if such excess arises from making zero-rated supplies or where tax has been paid in error (application to be made within 24 months from the date the tax becomes due and payable).

- Effective 1st July 2022, VAT credits arising from input tax incurred by a manufacturer in respect to taxable supplies made to an official aid funded project approved by the Cabinet Secretary in accordance with the First Schedule to the VAT Act, 2013 will now qualify for VAT refunds.

- Effective 27th December 2024, credits arising on account of permanent credit position for a registered person dealing in zero rated or exempt supplies, where the credit is due to difference between the rate applicable on 1st July 2022 and a lower rate of tax and that credit position existed on the date that the taxable supply became zero rated or exempt (application to be made within six months after 27th December 2024).

Insurance compensation – Compensation for the loss of taxable supplies for which a person had claimed input VAT shall be subject to VAT. If the compensation does not include VAT, the compensation shall be declared and subjected to VAT.

Bad debts – within a period of 3 to 10 years from the date of supply, subject to approval by the Commissioner.

VAT on exported taxable services

- Effective 1st July 2023, exportation of taxable services is zero-rated prior to which it was subject to VAT at 16%.

UGANDA

Rates

| | |
|--|-----|
| Standard rate (including on sale and rental of non-residential premises) | 18% |
|--|-----|

Registration threshold – UGX. 37.5 million per three consecutive months or 150 million turnover p.a

Due date – 15th of the following month.

Time of supply – the earliest of the date on which the goods or services are –

- first applied to own use;
- supplied by way of gift, on the date on which ownership changed or completion of service;
- delivered or made available in the case of goods or are performed in the case of services; or
- a tax invoice is issued.

For supplies to government.

- At the time when government makes payment for the goods or services i.e., cash basis.

Input VAT – A claim of a VAT credit shall not be allowed in the case of;

- a supply or import of a passenger automobile, and repair and maintenance of that automobile (*including spare parts*) unless one is in the business of buying and selling automobiles and / automobile spare parts; or
- a supply of entertainment unless one is in the business of providing entertainment or, if the supply is in respect of meals or refreshments to one's employees in the premises operated by them or on their behalf solely for the benefit of their employees.
- Costs incurred by a taxable person in respect of electronic services.

Credit for input VAT – Effective 1st July 2021, a taxable person under this section shall apply for input tax credit within six months from the date of the invoice.

VAT on imported services – the tax payable on a supply of imported services (*other than a service that would ordinary be exempted from VAT in Uganda*) is to be paid by the person receiving the supply. It is payable, at the standard rate of 18% on taxable services by the importer. Tax paid on such service is not available for claim as input VAT credit. Effective, 1st July 2022, import of a service is an exempt import if the service would be exempt had it been supplied in Uganda.

VAT refunds – where input VAT exceeds output VAT by five million shillings, the taxpayer can claim a refund for the excess tax paid (application to be made within three year from the tax period in which tax was overpaid).

Effective 1st July 2021, there is a tax refund of 5% of the VAT amount to consumers who purchase goods or services from a taxable person and is issued with an electronic receipt or invoice worth UGX. 5 million within a consecutive period of 30 days.

Capping of interest on overpayment and late refunds – the amount of interest due and payable by the URA under VAT to a taxpayer as a result of overpayments, late refunds, and or the deliberate forceful recovery of tax believed to be outstanding by the URA is capped to the amount of the principal tax.

Cash basis accounting for computing VAT payable. Only tax payers that meet the criterion of section 26 (1) of the VAT Act are able to use cash basis accounting, subject to approval from the commissioner general.

- A taxable person whose annual value of whose taxable supplies does not exceed five hundred million shillings; or
- A supplier who supplies goods and services to Government.

TANZANIA

Rates

| | Tanzania Mainland | Zanzibar |
|--|-------------------|----------|
| Supply of goods and services | 18% | 15% |
| Supply of banking, postal and telecommunication services | 18% | 18% |
| Import of goods and services | 18% | 15% |
| Export of goods and qualifying services | 0% | 0% |
| A supply of ancillary transport services for goods in transit on international transport | 0% | – |

Registration threshold – TZS 200 million turnover p.a for Tanzania Mainland* and TZS 50 million p.a for Zanzibar.

***Mandatory registration**

- An individual/entity who is permitted, licenced or registered to provide professional services must register for VAT regardless of the taxable turnover.
- A government entity or institution which carries out economic activity.
- A non-resident person who supplies electronic services to resident individuals in Tanzania irrespective of the turnover.

Due date – 20th of the following month for the payment and filing return, and in the case of a non-resident electronic service provider, the 7th day of the following month*

*Where the 20th day falls on Saturday, Sunday or a public holiday, the value added tax return shall be lodged on the first working day following the Sunday or public holiday.

Note:

- Every VAT registered person is required to acquire and use the Electronic Fiscal Device (EFD) or Virtual Fiscal Device (VFD). Exemption applies to a non-resident electronic service provider.
- Input VAT on bank charges can only be claimed if the bank statement is issued within 10 days from the end of the month and includes the company's TIN and VRN.

VAT on the importation of goods – *payable* at the time customs duty payable.

Reverse VAT on imported services – only applies if the registered person makes taxable supplies of less than 90% of total supplies.

Deferment of VAT on Local manufactured or imported capital goods for the period of ten years – only applies if the registered person acquires the goods for the purpose of using them in the production of goods or provision of services.

Refund claims

Standard – Six months after the due date of the tax return on which the refund became due or the submission of the last VAT return for that six-month period, whichever is the later.

Regular payment – businesses in a constant refund position may apply for authorisation to lodge claims on a monthly basis.

Exemptions – supplies exempt from VAT are stipulated under Part I of the Schedule to the VAT Act.

Automatic Deregistration – If an 'intending trader' fails to meet the specified condition (such as attaining the revenue threshold within the stipulated timeframe), they must notify the Commissioner within 90 days stating the reasons for non-compliance. Failure to notify will result in automatic deregistration of VAT. An *intending trader* means any person who is in a process of setting up a business with the intention of making taxable supplies with a turnover in excess of the VAT registration threshold.



TAX PENALTIES AND INTEREST

KENYA

| Offence General Penalties | Penalty/Fine |
|--|---|
| Failure to apply for registration or deregistration (excluding VAT) | KShs. 100,000 for each month or part thereof (max. KShs. 1million) |
| Failure to retain or maintain documents required | Higher of KShs. 100,000 or 10% of tax payable relating to documents |
| Failure to submit a tax return by the due date | <ul style="list-style-type: none"> Employment income – higher of KShs. 10,000 or 25% of the tax due Individual – higher of 5% of the tax payable or KShs. 2,000 Company – higher of 5% of the tax payable or KShs. 20,000 EPZ Company – KShs 2,000 per day KShs. 1,000 for submission under Turnover Tax |
| Failure to submit a document other than a tax return | KShs. 1,000 for each day or part thereof (max KShs. 50,000) |
| Knowingly making a false or misleading statement or omitting from a statement any matter that leads to a tax shortfall | <ul style="list-style-type: none"> 75% of the tax shortfall when statement or omission made deliberately Increased by 10% on second application and 25% on third or subsequent applications Reduced by 10% on voluntary disclosure |
| Tax avoidance or fraudulent claim for a refund | Double the amount of tax avoided/claimed |
| Failure to submit a tax return electronically or pay tax due electronically and where the Commissioner is not satisfied with the reasons for non-failure | Two times the tax due |
| Failure to pay the tax by the due date | 5% of the unpaid tax |
| Failure to issue an Electronic Tax Invoice(ETIMs) | Double the amount of tax due |
| Specific Income Tax Penalties | |
| Penalty on unpaid tax | 5% of unpaid tax Unpaid PAYE– 25% |
| Underestimation of instalment tax | 5% of unpaid tax |

| Specific VAT Penalties | |
|---|--|
| <ul style="list-style-type: none"> Failure to apply for registration or deregistration Failure to display the tax registration certificate at all premises Failure to notify the Commissioner of any change in name, address, place of business and nature of business | Fine not exceeding KShs. 200,000, or imprisonment not exceeding 2 years, or both |
| Issue of a tax invoice for a non-vatable supply or by a non-registered person | KShs. 1million, or imprisonment not exceeding 3 years, or both |
| Failure to maintain proper records, using an ETR or provide access to an authorized officer | KShs. 1million, or imprisonment not exceeding 3 years, or both |
| Failure to submit a return on time | 5% of tax due (min. KShs. 10,000) |
| Failure to withhold the whole amount of VAT which should be withheld | 10% of the tax due |
| Failure to remit withheld VAT by due date | 10% of the tax due |
| VAT on excise duty | 5% of the tax payable or KShs. 10,000 |



| Specific Excise duty Penalties | |
|---|--|
| <ul style="list-style-type: none"> Failure to apply for registration or deregistration Failure to display the tax registration certificate at all premises Failure to notify the Commissioner of any change in name, address, place of business and nature of business | Fine not exceeding KShs. 5,000,000, or imprisonment not exceeding 3 years, or both |

Late payment interest calculated on simple interest basis at 1% per month or part thereof; and restricted to a maximum of the principal tax due. There are no provisions for mitigation of interest.

UGANDA

| Offence | Penalty/Fine |
|--|--|
| Penal tax for understating provisional tax estimates | 20% of (D-C) where; (D) is Tax on 90% of the final chargeable income (<i>final taxable profit</i>) (C) is Tax on the estimated chargeable income (<i>provisional taxable profit</i>) |
| Interest on unpaid tax | 2% per month |
| Making false or misleading statements | A fine not exceeding UGX. 50 million or imprisonment not exceeding 10 years or both on conviction if a tax payer knowingly or recklessly makes false or misleading statements or omitting from a statement to a tax officer, a matter or thing |
| Failure to apply for registration | Double the amount of tax payable during the period commencing on the last day of the application period until the person files an application for registration with the Commissioner |
| Failure to provide information | UGX. 20 million |
| Failure to maintain proper records | Double the amount of tax payable for the period to which the failure relates |
| Default in furnishing a tax return | A fine not exceeding UGX. 2 million or imprisonment not exceeding 6 years or both on conviction for knowingly and/or recklessly failing to maintain proper records |
| A person who, upon request by the Commissioner, fails to provide records in respect of transfer pricing within 30 days after the request | Liable to a penal tax equivalent to UGX. 50 million |
| A tax payer that fails to comply with the requirements of electronic receipting and invoicing or tax stamps within fifteen days from the date of the notice. | Temporary closure of business, close down part or the whole of the business premises of the taxpayer for a period not exceeding fifteen days |
| A taxpayer who fails to affix or activate a tax stamp on goods prescribed | A fine not exceeding UGX.30 million or imprisonment not exceeding ten years or both |
| A person who prints over or defaces a tax stamp affixed on goods prescribed | A fine not exceeding UGX.30 million or imprisonment not exceeding ten years or both |
| A person who forges or found in possession of a forged tax stamp | A fine not exceeding UGX.30 million or imprisonment not exceeding ten years or both |
| A taxpayer who does not issue an electronic invoice, an electronic receipt or employ an electronic fiscal device | A fine not exceeding UGX.30 million or imprisonment not exceeding ten years or both |
| A person who forges or found in possession of a forged electronic receipt or invoice | A fine not exceeding UGX.30 million or imprisonment not exceeding ten years or both |
| A person who makes unauthorised interference with the software or hardware of an electronic fiscal device or electronic dispensing control device | A fine not exceeding UGX.30 million or imprisonment not exceeding ten years or both |

| Offence | Penalty/Fine |
|--|---|
| A person who fails to file an information return for purposes of automatic exchange of information | A fine not exceeding UGX 50 million for each day of default or to imprisonment for the term not exceeding ten years or both |
| A person who fails to maintain records for purposes of automatic exchange of information | A fine not exceeding UGX 50 million for each day of default or to imprisonment for the term not exceeding ten years or both |
| A person who makes a false or misleading statement in the automatic exchange of information return | A fine not exceeding UGX 50 million for each day of default or to imprisonment for the term not exceeding ten years or both |
| A person who omits from a statement made in the automatic exchange of information return | A fine not exceeding UGX 50 million for each day of default or to imprisonment for the term not exceeding ten years or both |
| Using a false TIN | A fine not exceeding UGX. 3 million or imprisonment not exceeding 6 years or both or conviction |
| Specific VAT Penalties | |
| Interest on unpaid tax | 2% per month compounded |
| Penalty for default in furnishing a VAT return | UGX. 200,000 |

Interest paid

- If the interest that is due and payable as at 30th June 2018 exceeds the aggregate of the principle tax and penal tax, the excess interest shall be waived.
- Where a person has committed an offence under a tax law, other than under section 66 of the tax procedures code act (offences in relation to tax officers) and that person voluntarily discloses the commission of the offence to the Commissioner, at any time prior to the commencement of court proceedings, the Commissioner may enter into an agreement with the offender to compound the offence if the offender agrees to pay the outstanding unpaid tax and that person shall not be required to pay any interest or fine due.

TANZANIA

| Offence | Penalty/Fine |
|---|---|
| Underestimating tax payable | Interest is applicable when a taxpayer's estimated instalment tax paid is less than 80% of the actual income tax payable for the year of income. The rate of interest is the current statutory rate, compounded monthly on the difference between the instalment tax paid and tax that ought to be paid |
| Failure to pay tax | Interest for each month or part of the month for which any of the tax is outstanding calculated at the statutory rate compounded monthly, and applied to the amount outstanding at the start of the period |
| Failure to maintain proper books of accounts or documents | <ul style="list-style-type: none"> ▪ In case of an individual – 1 currency point ▪ In case of a corporate body – 10 currency points The penalty charged is for each month or part of the month during which the failure continues |
| Failure to file tax returns | The penalty is assessed separately for failure to file SETP (Statement of Estimated Tax) and for the final tax return <ul style="list-style-type: none"> ▪ In case of an individual – 5 currency points and in case of a corporate body – 15 currency points ▪ Or 2.5% of tax assessable which is calculated by the amount shown on the tax return less the amount of tax paid at the start of the period (instalments paid) Whichever is higher will be applicable for each month of delay |
| Making false or misleading statements | <ul style="list-style-type: none"> ▪ A fine of not less than 10 currency points and not more than 200 currency points and/or imprisonment of not less than 1 month and not more than 2 years ▪ A penalty between 50% and 75% of the tax shortfall which can be increased or decreased by 10% |
| Penalty for aiding and abetting | <ul style="list-style-type: none"> ▪ 100% of the tax shortfall ▪ Inaccurate statement – resulting into underpayment of tax – a fine of not less than 100 currency points and not more than 200 currency points, imprisonment of not less than 1 year and not more than 2 years, or both |

| Offence | Penalty/Fine |
|---|---|
| | <ul style="list-style-type: none"> Inducing an authorised person to commit an offence – a fine of not less than 200 currency points or imprisonment of not less than 1 year or not more than 5 years, or both In any other case a fine of not less than 50 currency points and not more than 100 currency points or imprisonment of not less than 6 months or not more than 1 year, or both |
| Failure to comply with tax laws | <ul style="list-style-type: none"> Where failure results or may have resulted in an underpayment of tax in an amount in excess of TZS 1,000,000 (50 currency points) – a fine of not less than TZS 400,000 (20 currency points) and not more than TZS 1,000,000 (50 currency points) or imprisonment for a term of not more than 6 months, and/or both In any other case – a fine of not less than 10 currency points or not more than 20 currency points |
| Failure to pay tax on time | <ul style="list-style-type: none"> Where failure is to pay tax in excess of TZS 1,000,000 (50 currency points) – a fine of not less than 500,000 (25 currency points) and not more than TZS 2,000,000 (100 currency points) or, imprisonment for not less than 3 months and not more than 1 year, or both In any other case a fine of not less than TZS 200,000 (10 currency points) or not more than TZS 500,000 (25 currency points) or imprisonment of not less than 1 month and not more than 3 months, or both |
| Failure to use electronic fiscal device, issue receipts or tampering the device or receipts | Penalty of 200 currency points (TZS 4,000,000). |
| Failure to demand or report a denial of issuance of a fiscal receipt | Fine equivalent to 20% of the tax evaded or 2 currency points, whichever is greater |
| General penalty for offences under the Act which do not have specific penalties mentioned | A fine of not less than 200 currency points and not more than 300 currency points or imprisonment not exceeding 3 years or to both |
| Transfer pricing | Transfer pricing policy to be attached with income tax returns where total transactions with related parties exceed TZS 10 billion. Transfer pricing adjustment not in compliance with arm's length principle – penalty equivalent to 100% of the tax shortfall. In addition, failure to provide transfer pricing documentation within 30 days after request from the Commissioner results in penalty of not less than TZS 70 million |
| Disclosure of information | Failure to disclose names of contractors and subcontractors in extractive and construction industry results in penalty of higher of 25% of the amount payable under the project or a fine of up to TZS 80 million |
| Failure to register and maintain proper records by the owner of a storage facility | Liable to a penalty of not less than 300 currency points and payment of the tax shortfall |
| Acting as a tax consultant without proper licence from TRA | Liable to a fine not less than five million shilling or imprisonment for a term of not less than six months |
| Non-compliance with the provisions of the Excise (Management and Tariff) Act | Liable to a fine not exceeding 330 currency points or to imprisonment for a term not exceeding three years or to both. And where a person is a subsequent offender, such person shall, on conviction, be liable to a fine of not less than 330 currency points but not exceeding 3500 currency points or to imprisonment for a term of not less than five years but not exceeding twenty years or to both |

Note: 1 Currency Point is equivalent to TZS 20,000 (w.e.f. 1st July 2024)



OTHER CONSIDERATIONS

UGANDA

Levy on Unprocessed Materials

With effect from 1st July 2021, there is a levy charged on unprocessed minerals, at the rate of ten per cent of the value of the unprocessed minerals which is exported out of Uganda.

The levy referred to in subsection (1) shall be paid by the exporter to the Uganda Revenue Authority at the time when the unprocessed minerals is exported out of Uganda.

Tax Agent

A person who is not registered as a tax agent who acts as a tax agent commits an offence and is liable on conviction to fine not exceeding twenty-four currency points or to imprisonment not exceeding one year or both.

Registration of a tax agent remain in force from the date of issue of the certificate of registration to 31st December of the year of issue.

Destruction of goods

A taxpayer that intends to claim a deduction or credit for the goods destroyed as result of

- Damage of trading stock;
- Expiry of trading stock;
- Damage of manufactured stock;
- Expiry of manufactured stock; or
- Obsolete stock.

Shall inform the commissioner in writing before destroying the goods.

TANZANIA

Export tax

30% of the value of the commodity (f.o.b) or 150 USD per tonne, whichever is greater is charged on export of Copper waste or scrap metals of HS Code 72.04 and 74.04

Fuel levy

Charged per litre of petrol or diesel TZS 513.

Petroleum Levy

Chargeable based on per litre of Kerosene, Gas oil and Motor spirit TZS 50.

Tourism Development Levy (Bed night levy)

Chargeable based on a bed night charge – 1% of the room rate.

Railway Development Levy

Charged based on customs value on goods entered for home consumption in Mainland Tanzania 1.5% of CIF. *

**Railway Development Levy (RDL) is not applicable to goods in transit, pharmaceutical goods, fertilizers, Jet A-1 or imported goods that have relief or exemption under the East African Community Customs Management Act 2004 (EACCMA 2004).*

Advertising fees for commercial billboards

Commercial advertisement fees shall be collected by TRA for billboards, posters or hoarding based on the size of the advertisement.
Exemption: Poster that gives direction to areas that provide social services such as schools, dispensary and hospital.

Property Taxes

Property tax is based on the value of premises and the rates vary depending on the value and location of the property. For unvalued properties, TZS 18,000 is payable for a normal building and TZS 90,000 per storey in a building.

Service Levy

0.3% service levy based on turnover generated in the relevant district levied by local government in the respective district*.

**0.2% for banks and other financial institutions.*

Electronic money transfer levy

Levy ranging from TZS 10 to TZS 4,000 depending on the transaction value.

Cess Levy

Capped at 3% of the producer price for agricultural produce and livestock. There is an exemption from cess levy on the transportation of crops of less than one tonne from one local government authority to another.

Industrial Development levy

Importation of below listed goods shall be subject to industrial development levy. Exception has been provided for the goods originating within the East African Community (having certificates of origin).

| Items | Levy rate |
|--|-----------|
| Wire rod | 10% |
| Beer | 5% |
| Wine | 10% |
| Energy drink | 5% |
| Non-alcoholic beer | 5% |
| Other organic surface-active agents, whether or not put up for retail sale | 10% |
| Cement Clinkers | 10% |
| Portland Cement | 10% |

Filing Deadlines

| | |
|---|--|
| Corporate tax returns SETP | End of 1 st quarter (Newly formed entities relieved of the instalment tax payment for the first 6 months (FA 2019)) |
| Final tax return | 6 months after accounting year-end |
| Withholding tax | 7 days following the month of deduction |
| PAYE monthly return | 7 days following the month of deduction |
| SDL monthly return | 7 days following the month of deduction (Not required for employers who are not subject to SDL) |
| WCF monthly return | Last working day of the following month |
| WCF annual return | 31 st March |
| NSSF/PSSSF | Last working day of the following month |
| City Service levy | Last working day of the quarter |
| Transfer pricing | Attach with final income tax returns if transactions with related parties exceed TZS 10 billion or submit within 30 days from the date requested by the Commissioner if transactions with related parties are below TZS 10 billion |
| Excise duty monthly return <i>(For manufacturers of excisable scheduled articles or provider of excisable services)</i> | On or before 25 th day of the month following the month to which the return relates |



NAIROBI

1st Floor, Pacis Centre,
Slip Road, off Waiyaki Way, Westlands
P.O. Box 349, 00606
Nairobi, Kenya

Tel: +254 20 3614000/4451747/8/9
Mobile: +254 706 347950/772 786111
Email: info@ke.rsm-ea.com
Website: www.rsm.global/kenya
Contact: Elvis Ogeto (Managing Partner)

MOMBASA

Acacia Center, Mezzanine 1,
Nyerere Avenue
P.O. Box 87227, 80100
Mombasa, Kenya

Tel: +254 41 2311778/2312640/2224116
Mobile: +254 707 613329
Email: infomsa@ke.rsm-ea.com
Website: www.rsm.global/kenya
Contact: Ashif Kassam (Senior Partner)

KAMPALA

6th Floor, DTB Centre,
Plot 17/19, Kampala Road
P.O. Box 31704,
Kampala, Uganda

Tel: +256 414 342780
Email: info@ug.rsm-ea.com
Website: www.rsm.global/uganda
Contact: John Walabyeki (Managing Partner)

DAR ES SALAAM

1st Floor, Plot No. 1040,
Haile Selassie Road, Masaki
P.O. Box 79586
Dar es Salaam, Tanzania

Tel: +255 22 2137314/15
Email: info@tz.rsm-ea.co.tz
Website: www.rsm.global/tanzania
Contact: Lina Ratansi (Managing Partner)

Follow us for news and more updates on:



/company/RSMEasternAfrica



@RSMEasternAfrica



/RSMEasternAfrica



/RSMEasternAfrica

RSM Eastern Africa & RSM (Eastern Africa) Consulting Ltd are members of the RSM network and trade as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London, EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

© RSM International Association, 2025