



Employing graduates can mean tax rebates from 1st January 2016.

## TAX REBATES ON EMPLOYING GRADUATE APPRENTICES

*This Newsletter summarises the requirements for claiming tax rebates on recruitment of graduate apprentices.*

With effect from 1st January 2016, any employer who engages at least 10 university graduates as apprentices for a period of 6 to 12 months during any year of income is eligible for a tax rebate in the year subsequent to the year of engagement. The Cabinet Secretary for the National Treasury vide Legal Notice 97 published on 9th June 2016, sets out the regulations for claiming the rebate. The regulations are effective 1st April 2016. A university graduate is defined as a graduate who has at least a bachelor's degree from a university recognised in Kenya. A graduate apprentice is a university graduate who is bound by a written contract of apprenticeship to serve an employer for a period of at least 6 to 12 months in any year of income. Contract of apprenticeship is defined as a written agreement which provides for specific terms of apprenticeship and employment including but not limited to job training.

### Additional Rebate

A rebate equal to 50% of the amount of salary paid to at least 10 apprentices can be claimed in the year of income subsequent to the year of employment. This allowance is in addition to the salary expense that was claimed in the year of employment. In practical terms, if 10 graduates were employed in the year of income 2016, the actual salaries paid will be claimed in 2016 and the additional 50% can then be claimed in 2017. The time limit for making the claim is 3 years from the due date of the employer's last tax return. While the wordings are not clear, we believe that the outer limit for claiming the rebate is 3 years after the year of income in which the apprentices were recruited.

### The Process

Prior to engaging the apprentice, the employer is required to enter into a contract with the graduate apprentice for a period of 6 to 12 months.

The contract is required to be registered with the Director-General of the National Industrial Training Authority (Director) and shall not be binding until so registered.

On satisfactory completion of the apprenticeship, the employer is required to submit a certificate of completion in the prescribed form to the Director and provide a copy to the apprentice.

The Director, on receiving the certificate of completion, shall issue a certificate of apprenticeship to the apprentice (apprenticeship certificate).

An employer who claims the deduction is required to maintain certified copies of the contract of apprenticeship and the apprenticeship certificate.

### Registration with the National Industrial Training Authority (NITA)

Under the provisions of the Industrial Training Levy Order 2007, every employer with effect from July 2007 (or within 30 days of becoming an employer) is required to be registered with NITA and remit an Industrial Training Levy at the rate of Kshs 50 per employee per month. The levy is due on or before the 10th of the following month, and failure to pay the levy attracts a 5% penalty per month for each month or part thereof that the amount remains unpaid. Hotels and restaurants who pay catering levy under the Hotels and Restaurants Act are exempt from payment of the Industrial Training Levy.

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