KENYA BUDGET HIGHLIGHTS

2019 – 2020

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

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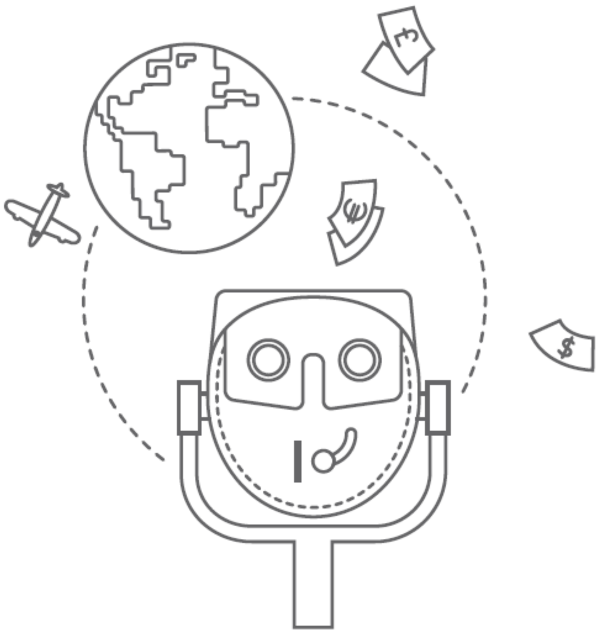
ECONOMIC PERFORMANCE IN 2018

GLOBAL ECONOMIC HIGHLIGHTS 2018



- In 2018, the global economy expanded by 3.6%, down from 4.0% in 2017. Growth is expected to decline to 3.6% in 2018 due to the escalation of US-China trade tensions, macroeconomic stress in developing economies and tighter credit policies in China. Global growth is projected to decline for seventy percent of the global economies in 2019
- The Euro Zone lost more momentum than expected as consumer and business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards. Investment dropped in Italy as sovereign spreads widened and external demand from Asia softened
- China's growth declined to 6.6% in 2018 following a combination of regulatory tightening to rein in shadow banking and increase in trade tensions with the USA. Growth is expected to slow to 6.1% in 2020
- In the USA, growth is expected to decline to 2.3% in 2019 and soften further in the medium term, with the unwinding of financial stimulus. The downward revision on 2019 growth reflects the impact of the government shutdown and lower fiscal spending. Strong domestic demand growth is expected to support higher imports and contribute to the widening of the current account deficit
- Current forecasts predict that global growth will pick up in the second half of 2019. This is based on an ongoing stimulus build-up in China, recent improvements in global financial market sentiment, the waning of some temporary drags on growth in the Euro area and a gradual stabilization of stressed emerging market economies including Argentina and Turkey
- Beyond 2020, global growth is expected to plateau at 3.6% over the medium term, sustained by the increase in the relative size of economies, such as those in China and India, which are projected to have robust growth by comparison to slower-growing advanced and emerging market economies

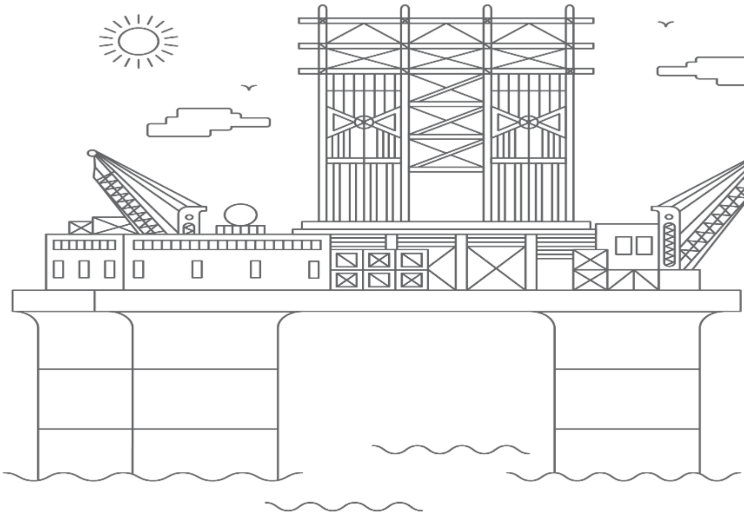
Real GDP growth in %

	2015	2016	2017	2018	2019*	2020*
Japan	1.4	0.9	1.7	0.8	1.0	0.5
UK	2.3	1.9	1.8	1.4	1.2	1.4
USA	2.9	1.5	2.3	2.9	2.3	1.9
Euro Area	2.1	1.8	2.3	1.8	1.5	1.5
China	6.9	6.7	6.9	6.6	6.3	6.1
India	8.2	7.1	6.7	7.1	7.3	7.5
World	3.5	3.2	4.0	3.6	3.3	3.6

SOURCE: WORLD ECONOMIC OUTLOOK, IMF, APRIL 2019, NATIONAL TREASURY (KENYA)

SUB-SAHARAN & MIDDLE EAST ECONOMIC HIGHLIGHTS

- Growth in the Middle-East, North Africa, Afghanistan and Pakistan region is expected to decline to 1.5% in 2019 before recovering to 3.2% in 2020. The outlook for the region is weighed down by multiple factors, including slower oil GDP growth in Saudi Arabia, ongoing macroeconomic adjustment challenges in Pakistan, US sanctions in Iran and civil tensions and conflicts in several economies
- Economic growth momentum for most Sub-Saharan Africa countries is expected to pick up to 3.5% in 2019 and 3.7% in 2020 (from 3.8% in 2018)



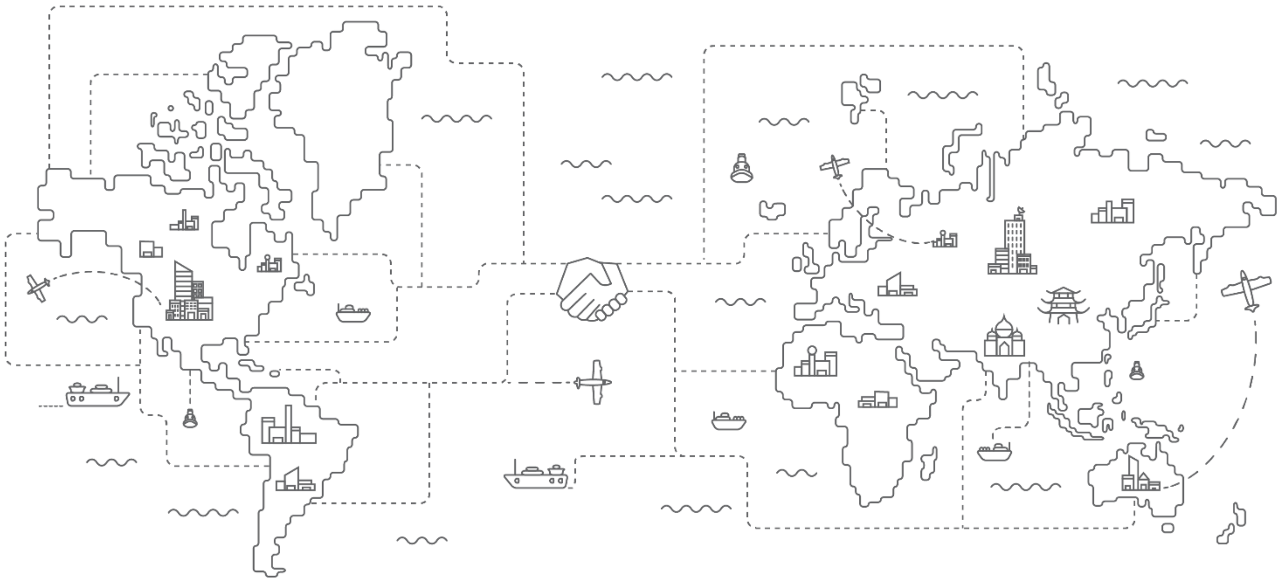
- Downward projections reflect revisions for Angola and Nigeria due to softening oil prices. Growth in South Africa is expected to marginally improve from 0.8% in 2018 to 1.2% in 2019. The projected recovery reflects modestly reduced but continued policy uncertainty in the South African economy after the May 2019 elections
- In Nigeria, growth reached 1.9% in 2018, up from 0.8% in 2017, reflecting a modest pick-up in the non-oil economy. Angola, the region's third largest economy, remained in recession, with growth falling sharply as oil production stayed weak
- The slower than expected growth in the region reflects ongoing global uncertainty, but increasingly comes from domestic macroeconomic instability including poorly managed debt, inflation and deficits. Research by the World Bank found that fragility in a handful of countries is costing sub-Saharan Africa over half a percentage point of growth per year. This adds up to 2.6 percentage points over 5 years

Real GDP growth in %	2015	2016	2017	2018*	2019*	2020
Sub-Saharan Africa	**3.4**	**1.4**	**2.8**	**3.0**	**3.5**	**3.7**
Nigeria	2.7	-1.6	0.8	1.9	2.1	2.5
South Africa	1.3	0.6	1.3	0.8	1.2	1.5
Kenya	**5.7**	**5.9**	**4.9**	**6.0**	**6.2**	**6.4**
Tanzania	7.0	7.0	6.0	6.6	4.0	4.2
Ethiopia	9.6	6.6	107	13.8	9.3	8.0
Uganda	5.7	2.3	4.5	6.2	6.3	6.2

SOURCE: WORLD ECONOMIC OUTLOOK, IMF, APRIL 2019

KENYA ECONOMIC HIGHLIGHTS

- The economy grew by 6.0% in 2018, up significantly from a growth of 4.9% in 2017. The growth reflected improved weather conditions, better business performance and an easing of political uncertainty
- The economy is projected to expand by 6.2% in 2019, bolstered by political stability, ongoing investments in infrastructure, strong domestic consumption and improved agriculture output. The external economic environment, in the form of improvements in commodity prices, is expected to further boost growth in the medium term
- Generally, key macroeconomic indicators remain largely stable and supportive of growth. Month-on-month overall inflation remained stable at 4.7%, and within the 5% target range in 2018. This was largely due to lower food prices following favourable weather conditions, reduction in electricity tariffs and a decline in fuel prices



- The Kenyan Shilling remained stable over the year, supported by CBK intervention, a narrowing current account deficit, strong inflows from tea and horticulture exports and diaspora remittances
- Commercial banks' average lending rates on loans and advances remained stable and compliant with the interest rate capping law effected in September 2016. Average lending rate declined to 12.6% in October 2018, compared to 13.7% in October 2017. However, the deposit rate also declined to 7.6% from 7.8% over the same period
- The Central Bank of Kenya lowered the Central Bank Rate (CBR) to 9.0%, to support economic activity.
- Foreign exchange reserves have increased to 5.5 months of import cover in 2018. This fulfils the EAC criteria of 4.5 months of import cover and provides a buffer against short-term shocks in the foreign exchange market
- Liquidity in the interbank market improved over the year, reflected by the decrease in the interbank rate to 3.5% in January 2019, from 6.2% in 2018. The 91-day treasury bill rate declined to 7.2% in January 2019, from 8.0% in January 2018, while the 182-day and 364-day treasury bills declined to 8.9% and 9.9% respectively over the same period
- Activity at Nairobi Securities Exchange (NSE) slowed down considerably, with equity prices registering broad declines. The NSE 20 index was down 20.8% between January 2018 and January 2019, resulting in a decline in market capitalization to KShs 2,251b from KShs 2,660b
- Fiscal operations of the Government during the first half of the FY 2018/2019 resulted in an overall deficit of KShs 272.0b against the projected deficit of KShs 254.5b. This deficit was financed through net domestic borrowing of KShs 130.8b and net foreign borrowing of KShs 144.4b

- Kenya's ranking in the World Bank's Doing Business indicators has improved from 136 in 2014 to 61 in 2019 (up 19 places from 2017), making Kenya the third most competitive country in Africa. The rating was enhanced by improvements in the availability of credit, access to electricity and ease of starting a business
- Kenya's total financing required for FY 2019/2020 is expected to total KShs 578.3b, up from KShs 559.6b in FY 2018/2019. The country's debt-to-GDP ratio was 52.7% as at December 2018. About a half of Kenya's debt, amounting to KShs 2.6tn was made up of foreign loans

Kenya Economic Highlights

Year	2015	2016	2017	2018	2019
Nominal GDP (KES billion)	6,709.70	7,658.10	8,792.60	10,030.20	11,346.50
Real GDP growth (%)	5.70	5.90	4.90	6.00	6.20
Population (Million)	47.24	48.46	49.70	50.95	52.20
Population growth rate (%)	2.70	2.59	2.56	2.52	2.48
Average annual inflation (%)	8.01	6.35	4.50	4.69	5.50
91-Day T-bill Rate (%)	9.81	8.56	8.01	7.20	6.92
Lending rate (%)	18.30	13.66	13.64	12.51	12.50
Deposit rate (%)	8.02	7.33	8.22	7.60	5.16
Money supply (M3) (KES million)	2,658,166	2,723,528	3,010,943	3,337,832	3,333,476
Growth in money supply M3) (%)	14.10%	2.46%	10.55%	10.86%	-0.1%
Fiscal Budget deficit (excluding grants) (KES million)	(549.30)	(674.70)	(596.60)	(635.50)	(578.30)
NSE 20 share index (NSE 20)	4,040.75	3,186.21	3,711.94	2,833.84	2,691.46
Nairobi All Share Index (NASI)	145.70	133.34	171.20	140.43	150.04
USD / KES	102.31	102.49	103.23	101.90	101.36
GBP / KES	151.80	125.42	138.75	131.92	130.02
EUR / KES	111.78	107.06	123.28	115.42	114.83
Import cover (months)	4.50	4.60	4.70	5.25	6.40
Total public debt (KES million)	3,210.80	3,972.50	4,530.00	5,161.60	5,675.50
Domestic debt (net) (KES million)	1,414.60	1,677.80	1,969.80	2,279.90	2,557.40
External debt (KES million)	1,796.20	2,294.70	2,560.20	2,881.70	3,118.10
Total public debt as % of GDP	47.9%	51.9%	51.5%	51.5%	50.0%
CBR rate (%)	11.25	10.00	10.00	9.00	9.00

Source: Central Bank of Kenya, NSE, KNBS, World Bank, IMF, Third Parties

Kenya Fiscal year ends June 30

BUDGET OVERVIEW

The theme of this year's budget is "Creating Jobs, Transforming Lives – Harnessing the "Big Four" Plan

GOVERNMENT REVENUE & EXPENDITURE

Total expenditure and net lending for the financial year 2019/2020 projected at KShs 2.8t (25.7% of GDP). Fiscal deficit including grants of KShs 607.8b (5.6% of GDP). Fiscal deficit expected to be financed by net external financing of KShs 324.3b (3.0% of GDP) and net domestic financing of KShs 283.5b (2.6% of GDP).

County governments' allocation totals to KShs 376.1b, of which KShs 310b is equitable share and KShs 61.6b is made up of conditional transfers.

Total allocation to enablers of the 'Big Four Agenda' is KShs 450.9b.

KEY DEVELOPMENTS

- All import and export consolidators to undergo strict vetting, registration and gazettement before they are allowed to operate at all the ports of entry and clearance
- Treasury will endeavour to ensure that payments to suppliers of goods and services to the National Government are made within a maximum of 60 days
- Development of a framework to allow for the deduction of 30% of the total electricity consumed by manufacturers as rebate subject to the conditions set by the Ministry of Energy
- Scaling up reforms to encourage investments in industrial sheds and parks
- Prioritization of payment of KShs 10.9b of verified pending bills to eliminate most balances owed to the youth, women and persons living with disabilities under the Access to Government Procurement Opportunity
- Consolidation of Uwezo Fund, Youth Enterprise Development Fund and Women Enterprise Development fund into the Biashara Kenya Fund
- Endorsement of a mobile loan product, Stawi Loans, which offers unsecured loans to small enterprises
- Set up of the Ajira Digital Program, with the goal of engaging one million individuals as digital freelance workers. Registration in the program will require the payment of a registration fee of KShs 10,000 for the next 3 years in lieu of income tax with effect from 1st January 2020
- Promotion of local industries through the 'Buy Kenya Build Kenya' initiative through the development of a catalogue of items that are locally manufactured, assembled, mined or grown in Kenya and which will be given priority in public procurement
- All Ministries, Departments, Agencies and other Public Entities are required to give exclusive preference in procurement of motor vehicles and motor cycles from firms that have assembly plants in Kenya
- Proposed amendments to the Competition Act to empower the Competition Authority to deal with abuse of buyer power and ensure prompt payment to suppliers. The proposed amendments shall also provide for penalties for infringement of these provisions
- Streamline the process of Pre-Verification of Conformity (PVOC) to reduce demurrage charges and other costs while clearing goods at the point of entry. Once the Pre-Verification of Conformity (PVOC) has been done at the point of export and information relayed to Customs and Standards teams, the same goods should not be subjected to further inspection unless there is prior intelligence on non-compliance
- Revenue Enhancement Initiatives (REI) that target among others: Enhanced scanning of containers to detect concealment; Implementation of a Regional Electronic Cargo Tracking system to tackle transit diversions; Implementation of a new debt collection strategy; Resolution of tax disputes; and Enhancing investigative capacity to support revenue collection

IMPROVING EXPENDITURE EFFICIENCY

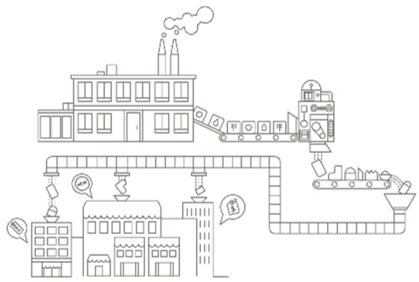
- Adopted a zero-based budgeting process to weed out non-priority expenditures from the budget
- Adoption of a policy of "no new projects" to ensure that Government completes ongoing projects

- Review of the portfolio of externally funded projects with a view to restructuring and re-aligning them with the "Big Four" Plan
- Taking measures to reduce spending on some specific programs which are not of high priority
- Propose the strict limitation of extension of service for the significant number of civil servants who are retiring after the age of 60 years
- Use of electronic cards system for all public officers travelling within and outside the country. This card would be pre-loaded with subsistence allowance to be expended by Officers travelling on official duty on eligible expenditures only
- All procurement of office accommodation by the Government will be standardized with uniform cost leases and existing contracts will be renegotiated to ensure a standard rate
- The National Treasury has established a multi-agency team to develop and implement an Integrated Revenue Management System for County Governments. This initiative is aimed at eliminating the leakages and large costs currently incurred by Counties in their revenue collection processes

MAJOR BUDGET ALLOCATIONS FY 2019 / 2020

Manufacturing & Industry

- KShs 1.1b for the development of textile and leather industrial park, Naivasha Industrial Park and Cotton Development Subsidy
- KShs 1.7b to support the growth of SMEs in the manufacturing sector
- KShs 0.4b to Constituency Industrial Development Centres
- KShs 1.0b to modernize facilities in Kenya Industrial Research and Development Institute (KIRDI)



Food Security & Agriculture

- KShs 2.0b for the National Value Chain Support Programme
- KShs 3.0b for setting up the Coffee Cherry Revolving Fund to implement prioritized reforms in the coffee sub-sector
- KShs 0.7b for payment of debt for cane deliveries to public mills to farmers
- KShs 0.8b for the rehabilitation of Fish Landing Sites
- KShs 0.7b for small-holder dairy commercialization
- KShs 7.9b for ongoing irrigation projects

Health Care

- KShs 2.9b for doctors/clinical officers/nurses internship program
- KShs 9.2b for Moi Teaching and Referral Hospital
- KShs 14.4b for Kenyatta National Hospital
- KShs 2.3b for Kenya Medical Research Institute
- KShs 7.4b for Kenya Medical Training Centres
- KShs 1.2b for Health Workers Internship Program

Infrastructure & Housing

- KShs 10.5b to cater for social housing and construction of affordable housing units
- KShs 2.3b for the Public Servants Housing Mortgage Scheme
- KShs 5.0b for the National Housing Development Fund
- KShs 180.9b for ongoing roads construction projects as well as the rehabilitation and maintenance of roads
- KShs 11.0b for the LAPSSET Project
- KShs 7.2b for the Mombasa Port Development Project
- KShs 55.8b for the completion of Phase 2A of the SGR

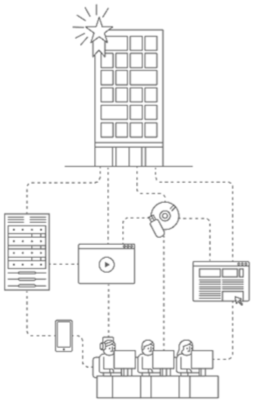
National Security

- KShs 326.5b for security agencies which includes:
- KShs 121.6b for defence
- KShs 37.7b for National Intelligence Service
- KShs 26.9b for Prisons
- KShs 140.5b for State Department of Interior (including KShs 22.8b for House Allowance for the police and prisons and KShs 6.9b for police and prison officers' medical scheme)

Energy

- KShs 8.6b for geothermal development
- KShs 61.2b for power transmission and distribution (including KShs 4.5b for electrification of public institutions, KShs 5.5b for Last Mile Connectivity Subsidy, KShs 1.0b for street lighting and KShs 1.5b for transformers)

Leveraging on Information and Communication Technology



- KShs 1.0b seed capital for Ajira Fund
- KShs 3.2b for the Digital Literacy Program
- KShs 2.9b for Government Shared Services
- KShs 2.8b for National Optic Fibre Backbone Phase II expansion
- KShs 1.1b for the installation of an Internet Based 4000 network
- KShs 7.2b for construction of Konza Technopolis Complex
- KShs 5.1b to support the Konza Data Centre and Smart Facilities Project

Education

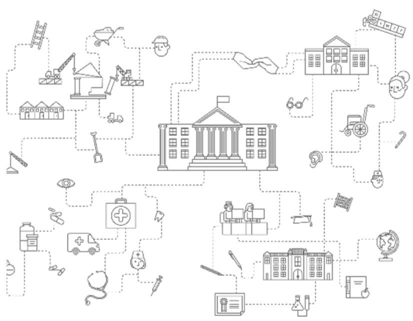
- KShs 55.4b allocated to cater for free day secondary education
- KShs 13.4b for free primary education program
- KShs 3.2b for the recruitment of additional teachers
- KShs 1.5b for primary and secondary school infrastructure
- KShs 10.3b for tuition and tools support to vocational training
- KShs 6.8b billion for the construction and equipping of technical institutions
- KShs 4.0b for examinations fee waiver for all Class Eight and Form Four candidates
- KShs 4.0b for NHIF Insurance for secondary school students
- KShs 97.7b to support University Education
- KShs 12.6b to the Higher Education Loans Board (HELB)

Equity, Poverty Reduction and Social Protection for Vulnerable Groups

- KShs 7.9b for orphans and vulnerable children
- KShs 16.6b for cash transfer to the elderly
- KShs 1.1b for cash transfers to persons with severe disabilities
- KShs 2.3b for the Kenya Hunger Safety Net Program
- KShs 0.1b to support those with Albinism
- KShs 0.2b for the National Council of People with Disabilities Fund
- KShs 41.7b for the National Government Constituency Development Fund
- KShs 2.3b for the Affirmative Action Fund to promote regional equity for social development
- KShs 5.8b for the Equalization Fund to finance programs in the marginalized areas

Public Institutions

- KShs 3.0b to the Office of the Director of Public Prosecutions
- KShs 540.8m to the Financial Reporting Centre
- KShs 7.1b to the Criminal Investigations Services
- KShs 5.7b to the Office of the Auditor General
- KShs 40.5b to Parliament
- KShs 19.4b to the Judiciary



Estimates of Revenue and Grants - National Treasury (Shs. B)			
Details	**Estimates 2018 / 2019**	**Estimates 2019 / 2020**	**Estimates 2020 / 2021**
Total revenue	1,831.50	2,080.90	2,369.60
Grants	47.50	51.60	52.40
	1,879.00	**2,132.50**	**2,422.00**
Expenditure			
Recurrent expenditure	**1,513.30**	**1,663.30**	**1,818.40**
Domestic interest	271.60	287.80	315.00
Foreign interest	114.40	138.50	145.90
Wages and salaries	424.10	470.30	493.90
Others	703.20	766.70	863.60
Development and net lending	631.20	670.70	723.80
County allocation	365.00	371.80	375.00
Contingency fund	5.00	5.00	5.00
Equalization fund for marginal areas		5.80	6.50
	2,514.50	**2,710.80**	**2,922.20**
Fiscal balance (cash basis inc grants)	**(635.50)**	**(578.30)**	**(500.20)**
Financing	**635.50**	**578.30**	**500.20**
Net foreign financing	321.50	306.50	284.20
Other domestic financing	3.90	(5.70)	(1.20)
Net domestic financing	310.10	277.50	217.20
Memo items			
External debt	2,881.70	3,188.10	3,472.40
Domestic debt (net)	2,279.90	2,557.40	2,774.60
Primary budget balance	(249.50)	(152.10)	(39.40)
Nominal GDP	10,030.20	11,346.50	12,795.90

Source: BPS 2019

DIRECT TAXES

PROPOSED INCOME TAX BILL 2019

The draft Income Tax Bill is at an advanced stage of legal drafting and will be tabled to the Parliament for enactment. The initial Bill had proposed a raft of changes including:

- Individuals earning over KShs 9 million to be taxed at 35%
- Corporations with a taxable profit of over KShs 500 million to be taxed at 35%. The effective tax rate after dividends for resident shareholders increases from 33.5% to 38.25%, while for non-residents, this increases from 37.0% to 41.5%, which in reality does not stake well in Kenya's claim to be the investment hub for the region
- Transfer pricing – penalty of 2% of the value of controlled transactions to be imposed where a transfer pricing policy does not exist
- Investment deduction – 150% deduction removed for investments outside Nairobi, Mombasa and Kisumu in machinery and buildings
- Capital gains tax – increased to 20% but indexation allowed
- Agriculture – bringing to tax movements in stock including biological assets
- Agriculture – withholding tax of 20% introduced on auction commission and audit of maximum residue limits
- Thin capitalisation – reducing the ratio of debt to equity from 3:1 to 2:1 but debt to only include foreign debt
- Landlords – disallowing structural repairs undertaken to maintain existing rent, however this, in the case of commercial buildings, is compensated with a capital allowance
- Landlords – rent payments subject to 10% withholding tax
- Tenants – disallowing expenditure on legal costs and stamp duty in connection with an acquisition of leases of less than 99 years
- Withholding tax on management fees – bringing to the scope of withholding tax incidental costs which are a pure reimbursement of expenses and therefore not revenue
- Control – extending the definition beyond the accounting norms (shareholding or board or management control) which could effectively establish a relation between two totally independent entities who trade with each other
- Dividends – increasing the tax exempt dividend threshold from a 12.5% holding to 25% holding
- Donations – disallowing donations to tax exempt organisations
- Tax losses – restricting the carry forward of the tax losses on business transfers and change of business activity
- Life insurance – transfer of property from non-life to life business shall be subject to capital gains tax
- Members' club and trade associations – to be subject to tax on members' fees and subscriptions

It remains to be seen if the various comments by stakeholders have been taken into account during the review process.

DISTRIBUTION OF DIVIDENDS

The Finance Act 2018 removed the requirement to maintain a Dividend Tax Account and introduced a tax rate of 30% on untaxed profits which were distributed as dividends. The only exclusion to this was on dividends declared by registered collective investment schemes.

The proposed amendment clarifies that where a company declares a dividend out of income that is exempt from tax, such distribution will not be subject to 30% tax. This confirms the RSM view that where a company receives exempt dividends or interest and declares a dividend from such income, the declaration will not result in the 30% tax liability as the receipt of such dividend or interest is not construed as being declared from untaxed profit.

CAPITAL GAINS TAX

INCREASE IN THE RATE OF CAPITAL GAINS TAX

The Bill proposes to increase the rate of capital gains tax from 5% to 12.5%. This move is to enhance equity and fairness as well as harmonise the rate with other East Africa Community members whose rates range from 20% to 30%.

EXEMPTION ON TRANSFER OF PROPERTY FROM CAPITAL GAINS TAX

The Bill proposes to exempt from Capital Gains Tax the transfer of property resulting from incorporation, recapitalization, acquisition, amalgamation, separation, dissolution or similar restructuring of corporate entity, where such transfer is:

a) a legal or regulatory requirement; or
b) as a result of derivative or compulsory acquisition by the Government; or
c) an internal restructuring within a group which does not involve transfer of property to a third party; or
d) in the public interest and approved by the Cabinet Secretary.

This is one of the recommendations submitted by RSM, to exempt from CGT transactions where there is no change in the beneficial ownership of the assets.

Currently, reorganisations were exempt from CGT provided they were in the public interest and the transaction was approved by the CS Treasury. Public interest was not defined and the application process was very cumbersome. This discouraged group restructuring.

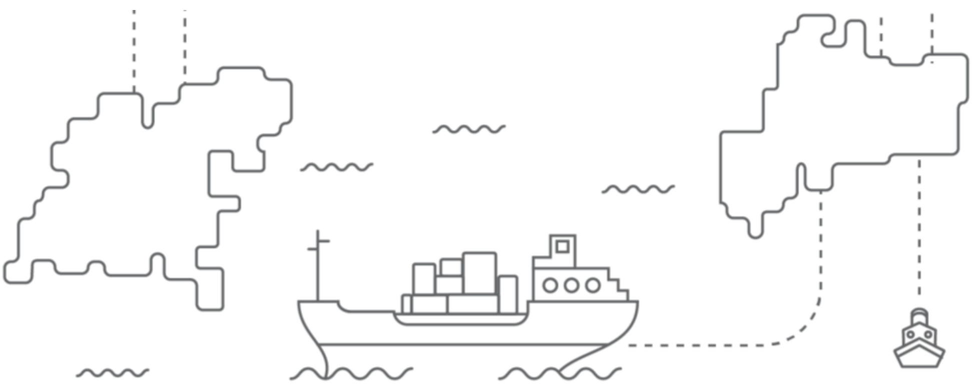
CORPORATION TAX

TAXATION OF NON-RESIDENT SHIP OWNERS

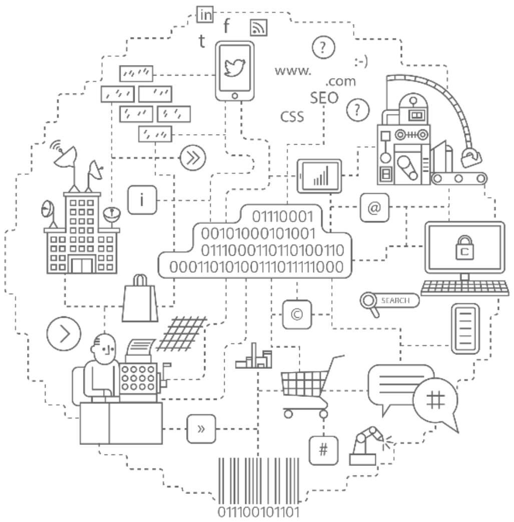
The income to be taxed in Kenya from non-resident ship owners will comprise all income of a non-resident shipping line including income from delay in taking delivery of goods or returning any equipment used for the transportation of goods shall be deemed to be income derived from Kenya. The tax on this is 2.5% of the gross amounts received and is accountable by the agent in Kenya of the non-resident ship owner.

Previously, only gross proceeds from carriage of passengers, cargo or mail which is embarked in Kenya (and not in transhipment) from a ship or aircraft owned or chartered by a non-resident was taxed in Kenya.

The change reverses the provision in the Finance Act, 2018 which had proposed a withholding tax of 20% on demurrages, which was payable by the person paying the demurrages to the non-resident ship owner.



TAXATION OF DIGITAL ECONOMY



The proposed Bill clarifies that income from a digital market place includes income accrued in or derived from Kenya. Digital market place is defined "as a platform that enables, by electronic means, direct interaction between buyers and sellers of goods and services".

A similar change has been proposed in the VAT Act to clarify that such services are vatable.

EXEMPTION OF INVESTEE COMPANIES OF REAL ESTATE INVESTMENT TRUSTS (REITS)

The Bill now extends the tax exemption of REITS to cover income earned by investee companies of the REITS from corporation tax.

Investee companies are companies/entities through which REITS hold property.

Previously, only the registered REITS was exempt from tax, but the underlying investee company that held the investment asset was not exempt.

This will now ensure that the income of the investee companies will flow directly to REITS without any tax and thereby increase the overall return to the investor. The distribution of the income to unit holders is subject to a final tax of 5%.

REDUCED CORPORATION TAX RATE FOR PLASTIC RECYCLING COMPANIES

As the need to incentivise recycling activities for plastic, the Government proposes a reduced corporation tax rate of 15% for plastic recycling companies for the first 5 years.

EXEMPTION OF INCOME EARNED BY INDIVIDUALS ENROLLED IN THE AJIRA DIGITAL PROGRAM (ADP)

Beginning 1st January 2020, any income earned by an individual registered under the ADP, shall be exempt from tax for a period of 3 years provided the qualifying members pay a KShs 10,000 subscription on registration.

This is a government incentive to bridge the gap between skills and lack of jobs. The aim of this program is to allow the youth to earn tax free income from working as digital freelancers. The Ministry of ICT with the National Treasury are in the process of developing the framework for registration.

NATIONAL HOUSING DEVELOPMENT FUND

The income earned by the National Housing Development Fund shall be exempt.

AFFORDABLE HOUSING RELIEF

The Tax Laws Amendment Act (2018) introduced the affordable housing relief at 15% of gross emoluments, not exceeding KShs 108,000. The Bill now proposes to amend the base of the relief from "gross emoluments" to "employee's contribution".

This amendment is to ensure that the relief is the lower of 15% of the gross emoluments or the actual contribution subject to a limit of KShs 108,000.

WITHHOLDING TAX

ADDITIONAL SERVICES SUBJECT TO WITHHOLDING TAX

Withholding tax at the rate of 5% on payment to a resident entity and 20% on payment made to a non-resident entity in respect of security services, cleaning and fumigation, catering services offered outside hotel premises, transportation of goods (excluding air transport services), sales promotion, marketing and advertising services has been introduced. This is to widen the tax net as a number of players in this sector were not compliant, leading to a significant loss in revenue.

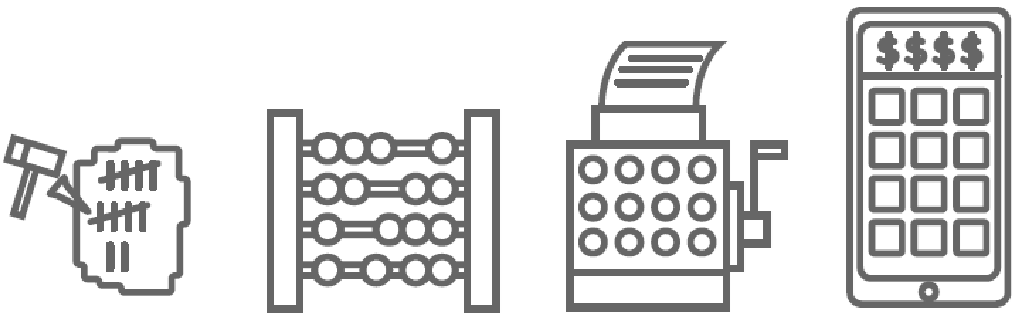
INSURANCE PAYMENTS INCLUDES REINSURANCE

The Bill now clarifies that payment of reinsurance premiums paid to non-resident reinsurers will be subject to 5% withholding tax. This amendment just clarifies that insurance business includes reinsurance business as defined in the Insurance Act.

PAYMENTS BY A PERMANENT ESTABLISHMENT TO THE HEAD OFFICE

Currently, the payment of certain expenses including interest, royalties, management or professional fees are not tax deductible expenses where these are paid by a branch to its head office. Consequently, these expenses are not subject to withholding tax as they are not construed to be income earned in or derived from Kenya.

The Finance Bill proposes that where such expenses are deductible under the provisions of a Double Tax Treaty, such amounts now be construed as accruing or derived from Kenya and therefore subject to non-resident rates of withholding tax.



TURNOVER TAX

There is now a proposal to reintroduce turnover tax at a rate of 3% on the gross turnover of businesses whose turnover does not exceed KShs 5 million. This was a provision prior to the Finance Act, 2018 which had introduced a tax of 15% of the Single Business Permit fee. It appears that there were administration issues to collect these fees and also that the fees were not consistent across various counties.

PENALTIES

The 20% penalty provision on unpaid tax has been deleted to align this with the Tax Procedures Act which provides a similar penalty at 5%. This is just a correction that was not done at the transition.

INDIRECT TAXES

VALUE ADDED TAX

VAT REVENUE MEASURES

Non-registered persons importing services will now be required to account for reverse VAT. Currently, only registered persons were required to account for reverse VAT, while the supplier of the service was required to account for reverse VAT (through an agent) where such supplies were provided by a non-resident person.

EQUIPMENT FOR THE DEVELOPMENT AND GENERATION OF SOLAR AND WIND ENERGY

Specialised equipment for the development and generation of solar and wind energy, including deep cycle batteries which use or store solar power are exempt supplies. It has now been clarified that the exemption is subject to approval by the CS responsible for Energy.

TRACTORS

The supply of tractors is an exempt supply. The Bill proposes to limit the exemption to tractors primarily used for agricultural purposes which was the initial purpose of the exemption. This means that tractors used for transport will be vatable.

INPUTS OR RAW MATERIAL FOR ELECTRIC ACCUMULATORS AND SEPARATORS

Inputs or raw materials for electric accumulators and separators including lead battery separator rolls whether or not rectangular or square supplied to manufacturers of automotive and solar batteries in Kenya are now exempt subject to the approval by the CS responsible for Industrialization. These items were previously zero-rated.

PEST CONTROL PRODUCTS

- Pest control products are now exempt supplies. Previously, these were vatable at 16%
- This is a positive move towards promotion of agriculture, therefore enhancing food security, which is one of the pillars of the Big 4 Agenda

LOCALLY MANUFACTURED MOTHERBOARDS AND INPUTS FOR THE MANUFACTURE OF MOTHERBOARDS

Subject to approval by the CS responsible for Information Communication Technology, locally manufactured motherboards and inputs for the manufacture of motherboards are now exempt supplies.

PLASTICS RECYCLING PLANTS

Plant, machinery and equipment used in the construction of plastics recycling plants are now exempt.

BROKERAGE SERVICES

Stock exchange brokerage services are exempt services. However, the word "stock" has now been replaced by "securities" to expand the scope of these brokerage services to broader financial securities traded in the Securities Exchange.

DENATURED ETHANOL

Denatured ethanol is now zero-rated. Denatured alcohol is used as fuel in clean energy stoves hence zero-rating it encourages the protection of the environment.

THE VALUE ADDED TAX (AMENDMENT) REGULATIONS, 2019

VAT Refund formula

The VAT refund formula under the regulations has now been amended as follows:

$$R = \frac{Z}{T} \times i$$

Where:

R, is the value of input tax relating to zero rated supplies;

Z, is the total value of zero rated supplies;

T, is the total value of the taxable supplies; and

i, is the deductible input tax from the month of supply.

Previously, the refundable amount was a fraction of the excess input tax for the month (output tax less the input tax). The new formula affords suppliers of zero rated goods and services a higher and more accurate claim for refund.

Exported services

The definition of an exported service under the VAT regulations has now been amended to clarify that the location of the person making the payment for exported services shall not be considered when determining whether a service qualifies as an exported service or not. This will solely be based on where the service is consumed.

CUSTOMS

The decision will be published in the EAC Gazette Notice and will become effective on 1st July 2019.

DUTY REMISSION

The Council of Ministers by exercising the powers conferred upon Section 140 of the East African Community Customs Management Act 2004, has approved a remission of duty on the following:

- Wheat grain – extension of duty remission to apply duty rate of 10% instead of 35% for one year
- Motor cycle kits – extension of duty remission to apply duty rate of 10% for one year awaiting finalization of Motor Cycle Assembly Regulations
- Sugar for industrial use – maintain duty rate at 10%
- Inputs used in the manufacture of roofing tiles coated with acrylic paint and weather side coated with natural sand granules – extension of duty remission to apply duty rate of 10% for one year
- Inputs/Raw Materials for direct and exclusive use in the assembly, manufacture or repair of clean energy cooking stoves – extension of duty remission to apply duty rate of 0% for one year
- Certain materials used in the motor manufacturing industry – remission of duty for one year
- Materials used in the manufacture of leaf springs – extension of duty remission to apply duty rate of 0% for one year
- Materials used in the manufacture of radiators – to apply duty rate of 0% for one year
- Aerosol cans used in packaging of insecticides and acaricides – extension of duty remission to apply duty rate of 0% for one year

STAY OF APPLICATION OF CET RATES

Kenya has been granted a stay application of the EAC rate on the following items effective from 1st July 2019:

- Rice – Apply a rate of 35% or USD 200/MT whichever is the higher instead of 75% or USD 345/MT for a further period of one year
- Paper and paper board – Apply a duty rate of 25% instead of the CET rate of 10% for a further period of one year.
- Metal and allied sector:
  - Extension of the CET rate and apply 10% or USD 125/MT whichever is higher for items of the following HS Codes: -7209.16.00,7209,17.00, 7209.26.00, 7209.27.00, 7209.28.00, 7209.90.00
  - 25% or USD 250/MT whichever is higher for items of the following HS Codes: – 7210.30.00, 7210.41.00, 7210.49.00, 7210.69.00, 7210.70.00 7210.90.00, 7212.20.00, 7212.30.00, 7212.40.00, 7212.50.00, 7216.31.10, 7216.32.10, 7216.33.10, 7216.40.10, 7217.10.00, 7222.11.00, 7222.19.00, 7222.20.00, 7222.30.00, 7222.40.00, 7225.91.00, 7225.92.00, 7308.10.00, 7308.20.00, 7308.30.00, 7308.40.00, 7308.90.91, 7309.90.99, 7326.90.90
  - 35% or USD 250/MT whichever is higher for items of the following HS Codes: – 7318.15.00, 7318.16.00
  - 10% or USD 125/MT whichever is higher for items of the following HS Codes: – 7209.16.00, 7209.17.00, 7209.18.00, 7209.26.00, 7209.27.00, 7209.28.00, 7209.90.00 7211.23.00, 7212.60.00, 7225.50.00, 7226.92.00, 7226.99.00, 7211.90.00, 7212.20.00
  - 25% or USD 125/MT whichever is higher for metals of HS Code 7211.29.00
  - 0% for alloy steel of HS Code 7225.30.0
  - 25% or USD 275/MT whichever is higher for other alloy steels of HS Code 7225.99.00
  - 25% or USD 200/MT whichever is higher for iron or steel pipes of the following HS Codes: – 7306.30.00, 7306.50.00, 7306.61.00 7306.69.00, 7306.90.00, 7323.10.00
  - 25% for non-electric cooking appliances of the following HS Codes: – 7321.19.00, 7321.89.00
  - Liquid Gas Cylinders (LPG) of HS Code 7311.00.00 now attract a duty of 25% instead of 0%
  - 35% or USD 350/MT whichever is higher for nails and screws of the following HS Codes: – 7317.00.00, 7318.11.00, 7318.12.00, 7318.13.00 7318.19.00, 7318.22.00, 7318.23.00, 7318.29.00
  - 25% or USD 250/MT whichever is higher for filing cabinets of HS Code 8304.00.00
  - 25% or USD 250/MT whichever is higher for coated electrodes of HS Code 8311.10.00
- Leather and Footwear sector:
  - These now attract duty of 25% or USD 5 per pair whichever is higher for items of HS Code 6405.10.00, 6403.20.00 and 6403.40.00
  - 25% or USD 2.5 per pair whichever is higher for items of HS Code 6401.10.00, 6401.92.00, 6401.99.00, 6402.19.00, 6402.20.00, 6402.91.00, 6402.99.00, 6405. 20.00 and 6405.90.00
- Edible Oil sub-sector – Apply a duty rate of 25% or USD 500/MT whichever is higher for one year for refined edible oil products of the following HS Codes 1507.90.00, 1511.90.30, 1511.90.40, 1511.90.90, 1512.19.00 and 1515.29.00
- Textiles and Apparel sector – Apply duty at the rate of 35% for all items of Chapter 60, Chapter 61 and Chapter 62 of the CET Nomenclature except items of HS Codes 6211.42.10, 6211.43.10 and 6211.49.10
- Wood, Timber and Furniture Sector:
  - Items of tariff heading 4407 now attract a rate of 0% instead of 10%
  - 25% or USD 110/MT whichever is higher for products of the following HS Codes: – 4410.11.00, 4410.12.00, 4410.19.00, 4410.90.00
  - 25% or USD 120/MT whichever is higher for products of the following HS Codes: – 4411.12.00, 4411.13.00, 4411.14.00, 4411.92.00, 4411.93.00, 4411.94.00
  - 25% or USD 175/MT whichever is higher for products of the following HS Codes: – 4412.10.00, 4412.31.00, 4412.33.00, 4412.34.00, 4412.39.00
  - 25% or USD 200/MT whichever is higher for products of the following HS Codes: – 4412.94.00, 4412.99.00
  - 35% for wood products of the following HS Codes: – 9403.30.00, 9403.40.00 9403.50.00, 9403.60.00
- Skillets, Free Hinge Lid Packets – Apply 25% instead of 10% on skillets of tariff 4819.20.10 for a period of one year

- Road Tractors for Semi Trailers – Apply 25% instead of 10% on road tractors of tariff 8701.20.90 for a period of one year
- Safety Matches – Apply a duty rate of 25% or USD 1.35/Kg whichever is higher on safety matches of HS Code 3605.00.00 for a period of one year
- Styrene Acrylic – Apply a duty rate of 10% instead of 0% on styrene acrylic of tariff 3903.20.00 for a period of one year
- Polymers of Vinyl Acetate – Apply a duty rate of 0% instead of 10% on styrene acrylic of tariff 3905.91.00 for a period of one year
- Worn Clothing – Apply a rate of 35% or USD 0.2/Kg instead of 35%/ or USD 0.4/Kg for a period of one year for worn clothing of HS code 6309.00.10
- Prefabricated Buildings – Apply a rate of 35% or USD 250/MT instead of 25% for prefabricated buildings of HS code 9406.90.90

COMPREHENSIVE REVIEW OF EACCMA, 2004 & THE COMMON EXTERNAL TARIFF (CET)

The comprehensive reviews of the EACCMA, 2004 & the CET are expected to be concluded by July 2019 and August 2019 respectively.

EXCISE DUTY MEASURES

BETTING NOW SUBJECT TO EXCISE DUTY

Excise duty is now applicable on betting transactions at the rate of 10% upon staking. Betting transactions were not subject to excise duty. Lottery and gaming transactions are not subject to excise duty. The duty is to be levied at a time a person stakes the money on a platform or other medium provided by a bookmaker.

CLARITY ON EXCISE DUTY EXEMPTION ON SUPPLIES TO OFFICIAL AID FUNDED PROJECTS

Excisable goods imported or purchased locally for direct and exclusive use in the implementation of an official aid funded project are exempt from excise duty. However, there was no definition of an official aid funded project.

The Bill proposes a definition of an official aid funded project to mean "a project funded by means of a grant or concessional loan in accordance with an agreement between the Government and any foreign government, agency, institution, foundation, organisation or any other aid agency".

A concessional loan is defined to mean "a loan with at least 25% grant element".

A similar change has been proposed in the VAT Act.

INTRODUCTION OF A GENERAL PENALTY

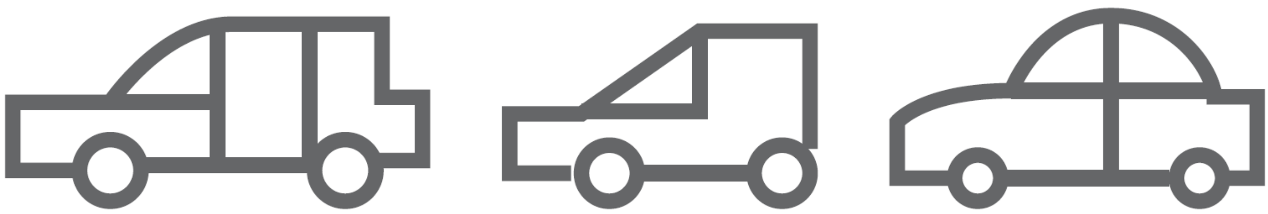
To cater for offences where a specific penalty is not provided, the Bill proposes to introduce a general penalty of a fine not exceeding KShs 2 million or imprisonment not exceeding two years or both.

INCREASE IN EXCISE DUTY RATE FOR MOTOR VEHICLES

Items	Current Rate of Excise Duty	Proposed Rate of Excise Duty
Motor vehicles of tariff heading 87.02, 87.03 and 87.04 excluding locally assembled motor vehicles; school buses for use by public schools; and imported cars with a cylinder capacity exceeding 1500 cc	20%	20%
Imported motor vehicles of cylinder capacity exceeding 1500 cc to 2500 cc of tariff heading 87.02, 87.03 and 87.04	20%	25%
Motor vehicles of cylinder capacity exceeding 2500 cc (8703.24.90 and 8703.33.90)	30%	35%

GOING GREEN! FULLY POWERED ELECTRIC MOTOR VEHICLES TO ENJOY REDUCED EXCISE DUTY RATE

Fully powered electric motor vehicles of tariff no. 8702.40.19, 8702.40.22, 8702.40.29, 8702.40.99 and 8703.80.00 will enjoy a reduced excise duty rate of 10%. Electric motor vehicles attracted a similar excise duty rate as internal combustion engines at 20%. This will encourage purchase of electric motor vehicles which are considered environmentally friendly due to zero carbon emissions.



INCREASE IN EXCISE DUTY RATE FOR ALCOHOLIC BEVERAGES AND CIGARETTES

Items	Current Rate of Excise Duty	Proposed Rate of Excise Duty
Cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes	KShs 10,520 per kg	KShs 12,098 per kg
Electronic cigarettes	KShs 3,1560 per unit	KShs 3,629 per unit
Cartridges for use in electronic cigarettes	KShs 2,104 per unit	KShs 2,420 per unit
Cigarette with filters (hinge lid and soft cap)	KShs 2,630 per mille	KShs 3,025 per mille
Cigarettes without filters (plain cigarettes)	KShs 1,893 per mille	KShs 2,177 per mille
Other manufactured tobacco and manufactured tobacco substitutes; "homogeneous" and "reconstituted tobacco"; tobacco extracts and essences	KShs 7,364 per kg	KShs 8,469 per kg
Wines including fortified wines, and other alcoholic beverages obtained by fermentation of fruits	KShs 157.80 per litre	KShs 181 per litre
Spirits of undenatured ethyl alcohol; spirits liqueurs and other spirituous beverages of alcoholic strength exceeding 10%	KShs 210.40 per litre	KShs 242 per litre

INFLATION ADJUSTMENT MOVED TO 1ST OCTOBER

The duty rates fruit and vegetable juices, bottled water and non-alcoholic beverages, food supplements, beer, motorcycles and illuminated kerosene will be adjusted by the annual inflation rate. The date for inflation adjustment is to be moved from 1st July to 1st October. This change is in line with the ruling in Okiya Omtatah where it was held that tax measures cannot be implemented before a Bill becomes a Finance Act (after going through the legislative process as laid down in the Constitution and the assent by the President). The ruling further provided that the Provisional Collection of Taxes and Duties Act No. 44 of 1959 to be unconstitutional, and therefore invalid, null and void. This ruling therefore makes the effective date of all tax measures the later of the date the Finance Act, 2018 was assented to or the effective date as provided in the Finance Act, 2018.

EXCISE DUTY ON INSURANCE COMMISSION

The proposed amendment now clarifies that only insurance commissions and other related premium based commission as defined in the Insurance Act are exempt from excise duty. Therefore, administration fees and other charges are subject to excise duty.

TAX PROCEDURES ACT

LATE SUBMISSION PENALTY

The late submission penalty of 5% of the tax due (subject to the minimum prescribed amounts) shall be calculated after deducting from the total tax liability, the tax already paid and withholding tax credit. This was the provision prior to the TPA, but was inadvertently missed out during the drafting process.

OBJECTION DECISION

The current provision requires the Commissioner to issue an objection decision within 60 days of the objection by the taxpayers. This period has been amended to allow the Commissioner to issue the decision beyond the 60-day period, where additional information is to be provided by the taxpayer.

This is a positive amendment, as it allows an additional period when the objection is being discussed through the ADR process and where the process could be taking slightly longer due to technicalities.

EXEMPTION FROM REQUIREMENT OF PIN WHEN OPENING A BANK ACCOUNT

The Commissioner can now exempt a person in certain circumstances from the requirement of obtaining a PIN when opening a bank account subject to certain conditions.

The requirement to have a PIN before opening a bank account posed a challenge to visiting foreigners, privileged persons and foreign investors investing in our financial markets. This proposal shall aim to assist such persons by granting them exemptions from obtaining a PIN before opening a bank account.

TAX AMNESTY FOR COMPANIES LISTED UNDER THE GROWTH SEGMENT OF THE SECURITIES EXCHANGE

Companies that wish to be listed on the Growth Segment of the NSE can now enjoy a 3-year amnesty for penalties and interest, to cover any year prior to the date of listing where the company makes full disclosure of its past income, assets and liabilities for 2 years immediately preceding the date of listing provided the principal tax is paid in full.

A company that de-lists from the exchange before the expiry of 5 years, any taxes, penalties and interest will be recovered for the years prior to the listing.

The above proposal shall not apply to a company under audit or investigation or where the tax is already assessed.

This amnesty is provided to encourage SME's that list under the GEMS program to list and clean their tax records.

RECOVERY OF TAXES UPON FAILURE TO DEDUCT OR WITHHOLD

The Tax Procedures Act now introduces a new section which allows the Commissioner to recover taxes from a person who fails to deduct or withhold tax under a tax law.

The Income Tax (Withholding tax) Rules 2001 currently provide a penalty for failure to deduct or remit withholding tax at 10% of the amount of tax involved, subject to a maximum penalty of KShs 1 million.

The penalty on failure to withhold VAT attracts a penalty of 10% of the amount involved.

WITHHOLDING VAT

The Bill proposes to reduce the withholding VAT rate from 6% to 2% and to exclude withholding VAT on zero rated supplies.

While this is a step in the right direction, there is still no clear plan to clear long pending VAT refund claims.

DEPARTURE PROHIBITION ORDER (DPO)

The Bill expands the scope of persons to whom the DPO could be issued, to include tax representatives of a company in addition to the controlling members of a company. The tax representatives of a company include the CEO, managing director, company secretary, treasurer, trustee, resident director or similar officer of the company acting or purporting to act in such position.

This is to ensure the tax representatives of companies whose controlling members are not resident in Kenya do not evade their responsibilities of ensuring that taxes from the companies are accounted for.

TAX SHORTFALL PENALTY

Section 84(2) of the TPA currently provides for a penalty on tax shortfall under the following instances:

- 75% of the tax shortfall when the statement or omission was made deliberately; and
- 20% of the tax shortfall penalty arising from any other case

The TPA has now deleted the 20% tax shortfall penalty for non-intentional omissions.

TRANSACTIONS REQUIRING PIN

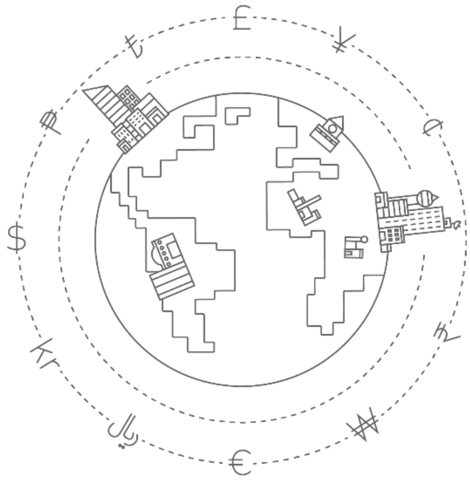
The First Schedule of the TPA provides a list of transactions for which a PIN is required. The Bill has now introduced 2 more transactions for which a PIN is required:

- Registration and renewal of membership by professional bodies and other licensing agencies
- Registration of mobile cellular paybill and till numbers by telecommunication operators

The above additions shall give KRA access to data on active professionals and other self-employed taxpayers to expand their data collection on taxpayers.

MISCELLANEOUS AMENDMENTS

BANKING ACT



The Bill proposes to repeal Section 33B of the Banking Act that previously capped the interest rate chargeable on credit facilities at a maximum of 4% of the base rate set and published by the Central Bank of Kenya.

It also proposes to launch a SME Credit Guarantee Scheme to allow SME's access to credit without being subjected to complex application procedures and collateral requirements. This, together with Biashara Kenya Fund (which consolidates Uwezo Fund, Youth Enterprise Development Fund and Women Enterprise Development Fund) and the SME Fund will address the very reason why interest rate caps were introduced.

INSURANCE ACT & REGULATIONS

The Policy Holder's Compensation Fund which currently only compensates claimants of insolvent insurers will now also be accessible to policy holders of insurance companies under statutory management.

INSURANCE (MOTOR VEHICLE THIRD PARTY RISKS) (CERTIFICATE OF INSURANCE) ACT

The Bill seeks to introduce in the Insurance (Motor Vehicle Third Party Risks) (Certificate of Insurance) Rules, a mandatory requirement for insurance cover on all passenger carrying boda bodas and tuk-tuks for passengers and pedestrians.

RETIREMENT BENEFITS ACT

A proposal has been made to amend the Retirement Benefits Act to allow retirement benefit schemes that invest in guaranteed funds to reduce the period of transfer of funds from three years to one year without suffering a charge of up to 25% of the fund value. This will allow members access to better returns.

The Bill further proposes to amend the Occupation Benefits Regulations and Retirement Benefits Regulations that will require schemes to introduce provisions that ensure the exiting members receive their equitable share of the reserve funds.

The Bill proposes changes that require Umbrella Retirement Schemes Regulations to allow members to contribute towards a post-retirement medical fund. In line with the Big Four Agenda, this will aim to achieve Universal Health Coverage.

A new National Pensions Policy and Public Services Superannuation Scheme (PSSS) will be introduced in the Financial Year 2019/2020. The aim of this is to ease the pension burden on the exchequer.

CAPITAL MARKETS ACT

The Bill aims to empower the Capital Market Authority (CMA) to enforce penalties and sanctions on players in the capital market who infringe the rules and procedures. This will strengthen CMA's role of promoting, regulating and facilitating the development of the capital market in Kenya.

PUBLIC FINANCE MANAGEMENT (NATIONAL GOVERNMENT) (AMENDMENT) REGULATIONS, 2019

A proposal to amend the due date to 31st October of each year for remittance of surplus funds by the regulatory authorities to KRA under the Public Finance Management Regulations 2019.

Previously, regulated authorities were required to submit 90% of their surpluses within 30 days after the close of the year. The proposed date gives the regulatory authorities adequate time after the preparation of audited accounts to submit the surplus funds.

MISCELLANEOUS, FEES & LEVIES ACT 2016

ANTI-ADULTERATION LEVY

A provision shall be introduced to allow manufacturers of paint and resin to get a refund on the levy paid. This is aimed at reducing costs to manufacturers of paint and resin who use illuminating kerosene as inputs.

IMPORT DECLARATION FEE (IDF)

The Bill proposes to reduce the Import Declaration Fee (IDF) on intermediate goods and raw materials used by manufactures; the reduced rate will be at 1.5% from 2%. However, the rate of finished goods will rise from 2% to 3.5%. This is aimed at cushioning local manufacturers and facilitate growth of the manufacturing sector.

RAILWAY DEVELOPMENT LEVY

Railway Development Levy for finished products will be increased to 2% from 1.5%; the objective of this is to encourage and promote local manufacturers.

EXPORT LEVY

The Bill proposes to impose an export levy of 10% on tanned and crust hides and skins. This is to ensure local manufacturers have adequate raw materials for manufacture of local leather products.

COMPETITION ACT

The Competition Act has been amended to empower the Competition Authority to deal with abuse of buyer power and ensure prompt payment to suppliers. It is further aimed to protect small and medium enterprises.

The amendment will introduce penalties for infringement of this provision.

OTHER MISCELLEANOUS AMENDMENTS

SUPPORT FOR MSMES

The following measures have been introduced to spur growth of Micro, Small and Medium Enterprises (MSMEs):

- *'Buy Kenya Build Kenya'* initiative – This initiative aims at promoting local industries by developing a catalogue of items that are locally manufactured, assembled, mined or grown in Kenya which will be given priority in public procurement;
- Biashara Kenya Fund – Uwezo Fund, Youth Enterprise Development Fund and Women Enterprise Development Fund have been consolidated into Biashara Kenya Fund to increase efficiency and eliminate overlaps;
- Prompt payment to suppliers of goods and services to the National Government to be made within a maximum of sixty days. The County Governments are also encouraged to follow suite;

- Prioritized payment of KShs 10.9 billion of the verified pending bills before end of June 2019. This targets to eliminate pending bills owed to youth, women and persons with disabilities under the Access to Government Procurement Opportunity;

- *Stawi* Loans – this is a mobile loan product that will be introduced to offer unsecured loans to small enterprises; and

- Proposal to exempt youth registered on Ajira Digital Program to pay a registration fee of ten thousand Kenya Shillings for the next three years in lieu of income tax with effect from 1st January 2020. Further, KShs 1 billion has been set aside as seed capital for Ajira Fund.

NATURAL RESOURCES, SOVEREIGN WEALTH FUND

The Government is in the final stages of drafting the Sovereign Wealth Fund Bill which will be presented to Parliament for approval.

The Bill proposes the creation of a Fund and sets out the legal framework that outlines investment of revenues earned from oil, gas and other mineral resources. It proposes that monies from the Fund be used to finance critical development programmes and provide savings for future generations.

NATIONAL ELECTRONIC SINGLE WINDOW BILL, 2019

The Bill seeks to introduce a system which shall serve as the single entry point and platform for persons involved in international trade as well as re-establish the Kenya National Trade Agency to administer the system.

In addition, the Bill also seeks to amend various Statutes to recognize and formalize the issuance of electronic certificates/permits that are currently issued by various Agencies through the system.

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: Ashif Kassam (Executive Chairman)

MOMBASA

3rd Floor, Bayview Place,
Moi 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: Nihla Mazrui (Partner)

DAR ES SALAAM

16th Floor, Golden Jubilee Towers,
Ohio Street
P.O. Box 79586
Dar es Salaam, Tanzania

Tel: +255 22 2137314/15
Email: info@tz.rsm-ea.com
Website: www.rsm.global/tanzania
Contact: Lina Ratansi (Group Chief Executive)

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)

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