

# 2018 Tax updates



## Tax Alert Kenya

Latest news on law, tax and business in Kenya

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Rödl & Partner Kenya

Happy New Year 2018 to you all!

The Year 2018 is set for some major changes in taxation of individuals and businesses in some sectors. These changes were included in the Kenyan Finance Act 2017 that was assented to on 21 June 2017. We have analyzed all changes with an effective date of 1 January 2018.

### Tax Law changes

#### > Income Tax Act changes

##### Increasing disposable income from employment

The personal relief for individuals has been increased from KShs 15,360 per annum to KShs 16,896 per annum for the year 2018. (from KShs 1,280 p.m. to KShs 1,408 p.m).

The tax bands for individuals have also been expanded by 10 %.

New monthly Tax band (in KShs)	Tax Rate
The first 12,298	10 %
Next 11,587	15 %
Next 11,587	20 %
Next 11,587	25 %
Over 47,059	30 %

These bands will also apply in the taxation of pension withdrawals that use the normal PAYE scale rates.

This move follows a similar and equal intervention effected last year and is seen as a further cushion for low-income earners against inflationary forces and the high cost of living.

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## Petroleum distribution

The Kenya Pipeline Limited Company has been awarded a 100 % investment deduction on capital expenditure incurred in the construction of transportation and storage facilities for petroleum products. This is aimed at complementing and facilitating the petroleum exploration activities in the northern part of Kenya.

## Promoting Special Economic Zones (SEZ)

SEZs will now qualify for the following tax incentives:

- Dividends payable to non-residents by enterprises operating in SEZs are now exempt from tax
- Reduction of withholding tax on interest, professional fees and royalties payable to non-residents by SEZ enterprises, from 15 % to 5 %;
- Investment Deduction on enterprises licensed under SEZs :
  - i. At 100 % of capital expenditure on building and machinery in the first year of use.
  - ii. At 150 % of the capital expenditure on building or machinery first used in a SEZ outside Mombasa and Nairobi

This should attract both foreign and local direct investments into the country.

## Promoting motor vehicle assembly industry

Corporate tax for investors in new motor vehicle assembly business has been reduced from 30 % to 15 % for the first five years of operation in Kenya to encourage industrialization and create employment.

It is expected to attract investments by foreign car manufacturers into the country and make Kenya their launch pad into the African market.

## > Tax Procedures Act Changes

### Registration of tax representatives of non-residents

The registration of a tax representative shall be in the name of the non-resident person being represented.

A tax representative is allowed to represent more than one non-resident person; but each person shall have a separate registration.

## > Miscellaneous tax changes

### Gambling taxes up

The tax on betting, gaming, lotteries and prize competitions has been increased to a uniform rate of 35 %. Previously, the taxes varied from between 7.5 % to 15 %.

Even though this tax is seen as a sin tax aimed at curtailing the deviant behaviours arising from gambling activities, the Government has affirmed that these taxes shall be channelled to a fund created for the development of the Sports & Culture industry.

## > Miscellaneous fees & levies

### Exemptions

Exports to SEZs are now exempt from export levy. Furthermore, imported goods destined for approved SEZs, and for construction of LPG storage facilities as approved by the responsible Cabinet Secretary are exempted from both import declaration fees (IDF) and railway development levy.

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## > Custom changes

### Roll-out of New Customs Management System

The KRA has set up two technological initiatives; the Integrated Customs Management System (iCMS) to replace the old Simba system, and the Integrated Scanner Management Solution. The introduction of iCMS is a move expected to ease the cargo clearance process at the port of Mombasa.

The other technological platform, Integrated Scanner Management Solution, on the other hand, is expected to increase efficiency in Customs control and help to identify trafficked illegal goods.

This transition will enhance revenue mobilization, through compliance, fighting tax evasion and fraud.

The iCMS was rolled out by the KRA in October while the Integrated Scanner Management Solution in August.

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### Structured Planning

*"With its growth potential, Africa is becoming an increasingly attractive investment destination. Many African countries enjoy political and economic stability and offer excellent opportunities for a business venture. The enormous range of opportunities poses, however, new challenges to companies venturing into Africa to do business there. Whether you are planning to start business in the renewable energies or the tourism sector, or want to launch an infrastructure project, you can always rely on our experienced Africa experts! They work to develop for you tailor-made solutions to help you break into new markets with a structured strategy and implement your business project in the African market."*

Rödl & Partner

*"Each element of our human towers supports another. This works only if we put to that more than just the physical abilities of all of us. It is the solidarity that gives us strength, structure, stability and – last but not least – the courage we need to develop great things."*

Castellers de Barcelona



Each and every person counts" – to the Castellers and to us.

Human towers symbolise in a unique way the Rödl & Partner corporate culture. They personify our philosophy of solidarity, balance, courage and team spirit. They stand for the growth that is based on own resources, the growth which has made Rödl & Partner the company we are today.

„Força, Equilibri, Valor i Seny“ (strength, equilibrium, valour and common sense) is the Catalan motto of all Castellers, describing their fundamental values very accurately. It is to our liking and also reflects our mentality. Therefore Rödl & Partner embarked on a collaborative journey with the representatives of this long-standing tradition of human towers – Castellers de Barcelona – in May 2011. The association from Barcelona stands, among many other things, for this intangible cultural heritage.

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