

# Rödl & Partner

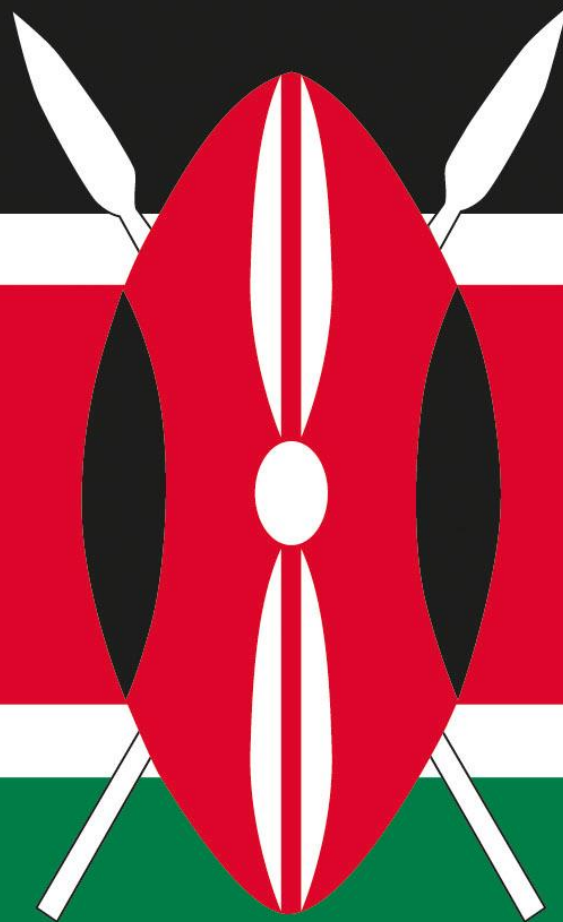
NEWSFLASH KENYA

LEGAL NOTICE NO. 132:  
CRITERIA FOR POWER REBATE

Issue:  
September  
2019

Latest news on law, tax and business in Kenya

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- Background
- Highlights of the set criteria
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## → Legal Notice No.132: Criteria for power rebate

The Finance Act 2018 set out to increase the tax deductible cost of electricity by a government rebate of 30 per cent. This rebate applies to the actual electricity bill for taxpayers who shall meet the conditions set by the Ministry of Energy.

Even though the incentive took effect from January 1, 2019, the Ministry's conditions were only published by the Cabinet Secretary for Energy on July 30, 2019.

The tax rebate on electricity cost will cushion local manufacturers who are competing with other manufacturers operating in jurisdictions with lower production costs.

### HIGHLIGHTS OF THE SET CRITERIA

1. The rebate program shall not apply to manufacturers involved in the generation, transmission and distribution of electrical energy.
2. It is subject to the following Key Performance Indicators (KPI):
  - 10 per cent increase in Electricity Consumption – weighted at 30 per cent;

- 10 per cent increase in Capital Investment – weighted at 30 per cent; and
- 10 per cent increase in Sales Revenue – weighted at 40 per cent;

3. The manufacturer must have a valid Tax Compliance Certificate.
4. In the first year of claim, 20 per cent of the cost of electricity from the grid will be allowed and the remaining 10 per cent by the weighted KPIs. For subsequent years, the rebate claimed will be determined by the weighted KPIs.
5. The Ministry of Energy may request the Kenya Revenue Authority to conduct an audit to evaluate the rebate.
6. The manufacturer must submit a baseline report certified by an external auditor to the Ministry of Energy as a self-declaration form.
7. The manufacturer shall submit quarterly financial reports to the Kenya Revenue Authority.

### EVALUATION MECHANISM CRITERIA:

KPI	Measure	Evidence	Weight (W)
Increase in electricity consumption by 10 per cent for manufacturers (based on Small Commercial (SCs) and Commercial Customers (CIs) categories)	Total annual electricity consumption (Grid electricity)	Total electricity bills of the manufacturer	0.30
Increase in Capital Investment by 10 per cent	Additional capital investment injected by the company	Books of accounts	0.30
Increase in Sales Revenue by manufacturers by 10 per cent	Turnover. It was noted that corporate tax claims are done before filing returns. One should provide for this the books	VAT returns Books of accounts Customs entry	0.40

## HOW CAN WE ASSIST YOU

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At Rödl & Partner, we have a qualified and experienced team of financial and legal experts who have advised clients seeking to claim tax rebates like capital allowances among other numerous incentives legislated in the last 15 years.

Rödl & Partner has an able and experienced tax team that can guide you with the following:

- Eligibility for the new Laws
- Applicability to reliance on various energy sources e.g. renewable energy
- Calculation of the new tax rebate
- Timelines for the application of the new Law
- Filing of returns and declaration of the tax rebate

- Assisting with audits by the KRA relating to compliance with these conditions
- Assisting with preparation and submission of quarterly financial reports and baseline reports as required by the conditions.

## CONTACT FOR FURTHER INFORMATION

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This is a general guideline tax and legal alert and should not be a substitute for proper advice. For queries and clarification, kindly get in touch with Rödl & Partner.

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