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NEWSFLASH KENYA

FINANCE ACT 2025 ANALYSIS

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→ Background

The President of the Republic of Kenya assented to the Finance Act 2025 on 27th June 2025 that amended various tax laws. The changed laws are set to support the approved National Budget that has a projected expenditure of Kes. 4,291.9 billion (equivalent to 22.3% of GDP). Specifically, a total of Kes. 2,754.7 billion (ordinary revenue) is anticipated to be raised from Income tax (38.7%), VAT (23.3%), Excise duty (10.1%) and Import duty (4.9%).

In this issue we have outlined the passed changes to the Income Tax Act ("ITA"), VAT Act, Excise Duty Act, Tax Procedures Act ("TPA") and Miscellaneous Fees and Levies Act. Furthermore, we have mentioned the Customs duty measures agreed upon by the East Africa Community (EAC) Ministers for Finance during the EAC Pre-Budget meeting held in May 2025 and set to take effect from 1st July 2025.

→ Income Tax Act changes

Repeal of Minimum tax and due date for Minimum top-up tax

The relevant section in the ITA for Minimum tax has now been repealed in compliance with the judgment under High Court Petition no. E005 of 2021 that prohibited its implementation, administration or enforcement. Its seeming replacement, Minimum top-up tax, will also now be due by the last day of the fourth month after close of a financial year.

Comment: Minimum top-up tax was introduced by the Tax Laws (Amendment) Act 2024 and Regulations were expected to especially guide on adjustments necessary in calculating 'excess profit'. These Regulations are still pending and might affect compliance especially by non-December year ends.

Limit for carrying forward of tax losses

The Act has re-introduced the 5 year limit period for utilization of tax losses against subsequent taxable income. However the Cabinet Secretary's powers to extend this period beyond 5 years upon the Commissioner's recommendation has still been retained.

Comment: This amendment does not provide a transitional provision for losses that may have arisen in prior years. Taxpayers need to monitor their tax loss position and consider applying for extension if it becomes certain that the losses will not be utilized within five years.

Changes to list of Allowable deductions

1. Deduction on loose tools

The reintroduction of deductions in respect of diminution of value of any implement, utensil or similar article that are not machinery or plant specified under the Second schedule to the ITA, has set the rate at a high of 100%.

2. Deductions on the business of sale of standing timber

The deductions applicable to those who sell the right to fell standing timber, whether by owner of the land or person with such right, have also been repealed.

3. Investment deduction on IRU for fibre optic cable by a telcom operator

The qualifying amount for investment deduction on purchase/ acquisition of an indefeasible right to use (IRU) fibre optic cable or spectrum license by a telecommunication operator before 1st July 2025 shall be restricted to the unamortized portion over its remaining useful life.

Comment: The first two changes replace the prior discretionary powers given to the Commissioner for determining just and reasonable amounts to be deducted. Such powers created uncertainty and inequity to some extent. The third change also enhances fairness since purchase of an IRU from a previous holder who already claimed investment deduction on the same should be denied future claims on the original cost of the right. The cut-off time indicated as 'before' seems to be a typographical error. The precedent on this was also set in the High Court case of Income Tax Appeal No. 272 of 2015 (Kencell Communications Limited).

4. Investment deduction for construction of sports facilities

Any expenditure incurred in the construction of a public sports facility shall be entirely allowable.

Comment: This insertion eliminates the condition for approval of allowability of this expenditure by entities on public sports facilities by the Cabinet Secretary.

Approval of applications for change of year-end

The time for approval of applications for change of year-end has been reduced from six months to three months from the date of application. Furthermore such applications shall be deemed allowed if the Commissioner fails to respond within the three months.

Comment: Such provisions provide a relief to taxpayers who were previously rendered without recourse due to the inefficiency of the KRA in processing such applications. The KRA will also be forced to prioritize such applications in the interest of avoiding future system reconciliation demands.

Scope of Significant Economic Presence Tax (SEPT)

The scope of SEPT now covers any income that is accrued in or is derived from Kenya by a non-resident through a business carried out over the internet or an electronic network including through a digital marketplace. The Act has also reversed the minimum annual turnover threshold for application of SEPT of Kes. 5 million introduced by the Tax Laws (Amendment) Act 2024. Finally the Cabinet Secretary is also required to make Regulations to aid implementation of SEPT by the 31st of December 2025.

Comment: The Regulations are expected to offer clarity especially on the applicability of withholding tax to similar incomes covered under SEPT.

Extended timeline for processing of income tax exemption applications

Applications for exemption from income tax will now be processed within 90 days from the previous 60 days' time limit.

Comment: This extension acknowledges the additional scrutiny introduced by the new regulations for issuance of exemption certificates to qualifying charitable organizations.

Penalty on underpayment of instalment taxes

The 20% penalty on underpayment of installment taxes has been repealed

Comment: This penalty has proven to be administratively challenging due to the fact that taxpayers have the choice between the current year and prior year methods of computing instalment taxes. We also expect the general penalty for late payment of taxes at 5% to still apply.

Additional incentives for companies certified by the Nairobi International Financial Centre Authority (NIFCA)

Companies certified by NIFCA will be entitled to the following:

- Income tax exemption on dividends paid in a year if a company reinvests at least Kes. 250 million in that year of income.
- Reduced corporate tax rate of 15% for the first ten years, and 20% for the subsequent 10 years if;
 - The company invests at least Kes. 3 billion in the first three years of operation;
 - The company is a holding company with at least 75% of the top management being citizens of Kenya; and
 - The regional headquarters of the company is in Kenya with at least 60% of its employees in senior management being Kenyan citizens.
- Reduced corporate tax rate of 15% for start – up companies certified by NIFCA for the first three years, and 20% for the succeeding four years.

Comment: These incentives were reported in this year's Budget Statement to target strengthening of Kenya's position as a regional financial hub.

Introduction of Advance Pricing Agreements in Kenya

The Act has set pace for the discussion and implementation of Advance Pricing Agreements (APAs) as an option for Transfer Pricing under the Income Tax Act. It allows both taxpayers and the KRA to negotiate and agree on amounts that will qualify as comparable with similar cross-border transactions between the same multinational enterprising taxpayers and independent persons. A deadline of 30th June 2026 has been set for issuance of Regulations to guide the process and administration of the APAs.

Comment: This development will greatly reduce disputes on transfer pricing between KRA and taxpayers, as well as create certainty in taxpayers' activities and performance.

Clarity on Country-by-Country reporting (CbCR)

The Act seeks to eliminate the role and relevance of a surrogate parent entity in CbCR by a multinational enterprise with constituent entities in Kenya. A surrogate parent entity represents a constituent entity of a multinational enterprise group appointed by such group to file a country-by-country report in that constituent entity's jurisdiction of tax residence, on behalf of the group.

Comment: The change here simply avoids the complexity of adding an unnecessary title of surrogate parent entity that can only be held by a constituent entity. It is in the spirit of attaining the principle of simplicity in tax law.

Change in the list of exempted incomes and persons (under the First and Eighth schedule to the ITA)

1. The replacement of the National Hospital Insurance Fund (NHIF) with the Social Health Insurance Fund (SHIF) has necessitated the extension of the exemption to all contributions and other payments into and out of the Fund, and repealing of the same as previously granted to the NHIF.
2. The exemption from Capital Gains Tax (CGT) in a special economic zone (SEZ) has now been clarified to apply to gains on transfer of property within the SEZ by a licensed SEZ developer, enterprise or operator.
3. The exemption from CGT of asset transfers to a company fully held by family members and their parents has been clarified to include individual parents alone in such companies that occurs especially in cases of divorce, separation or death.
4. For CGT purposes any entities operating as members' clubs and trade associations will now be treated as companies.

Employment tax (PAYE) changes

1. The tax-free limit for per diem allowances has been increased from Kes. 2,000 to Kes. 10,000.
2. Exemption of all payments made upon retirement or death comprising of lumpsum or annuity benefits by registered pension, provident or individual retirement funds, the NSSF and registered home ownership savings plans (HOSPs). The exemption has also been extended to benefits received by widows, widowers, dependants or bequeathed depositors (in the case of HOSP).
3. Exemption of payments to beneficiaries of non-compliant individual retirement funds and deregistered HOSPs.

Withholding tax changes

1. The withholding tax on sale of scrap has been repealed.
2. The withholding tax applicable in betting and gaming activities will now apply on amounts withdrawn by a customer from their betting or gaming wallet maintained by a person licensed under the Betting, Lotteries and Gaming Act, instead of winnings. The applicable rate on withdrawals by non-resident punters will also be 5%.
3. Exemption of any management, professional or training fee payments by the national carrier to non-resident providers of specialized technical, maintenance, compliance, training, or digital systems support services, where either the services are not available in Kenya or the service provider is certified or accredited by an international regulatory, standard-setting, or licensing body.
4. Withholding tax will now apply on payment of gains or profits accruing from the following businesses by non-resident shipowners, charterers or air transport operators whose ship or aircraft call at any port or airport in Kenya (excluding transshipment):
 - carriage of passengers who embark; or
 - cargo or mail which is embarked

→ VAT Act changes

Definition of 'tax invoice'

The VAT law has now realigned the requirements for its mandatory 'tax invoices' to that under the TPA. The TPA requirements are outlined under Regulation 7(1) of the Tax Procedures (Electronic Tax Invoice) Regulations, 2024 as follows:

- (1.) the Personal Identification Number of the user of the system;
- (2.) the time and date of issuance of the invoice;
- (3.) the serial number of the invoice;

- (4.) where the buyer intends to claim the expense or the input tax, the buyer's Personal Identification Number ;
- (5.) the total gross amount;
- (6.) the total tax amount where applicable;
- (7.) the item code of supplies as provided by the Commissioner;
- (8.) a brief description of the goods and services;
- (9.) the quantity of supply;
- (10.) the unit of measure;
- (11.) the applicable tax rate;
- (12.) the unique system identifier;
- (13.) the unique invoice identifier;
- (14.) a quick response code; and
- (15.) any other information as may be specified by the Commissioner.

In addition the requirement for tax invoicing has also been extended to exempt supplies.

Comment: This reaffirms the position of the TPA as the single law that harmonises the administration procedures and requirements of all tax laws in Kenya. Electronic tax invoicing (eTIMS) is already compulsory under both income tax and VAT law.

Clarification on place of supply for electronic services

It is now clear that any internet, radio or television broadcasting services delivered to a person (whether registered or unregistered) in Kenya at the time of supply qualifies as a supply of services in Kenya for VAT purposes even if the place of business of the supplier is not in Kenya.

Comment: The diversification of radio and television broadcasting services into digital products streamed over the internet has necessitated this change for the avoidance of doubt.

Changes to the VAT Refund processes

1. The timeline for applying for refund of VAT arising from tax credits caused by zero-rated supplies and withholding VAT credits has been reduced from 24 months to 12 months from the date the tax becomes due and payable.
2. Any excess credit carried forward that arose from change in classification of a standard rated supply to zero-rated supply on 1st July 2023 is refundable provided that the refund application is submitted to the Commissioner before 31st December 2025.
3. The refund of VAT on bad debts where a registered person has not received any payment from its client will now be permitted after a period of 2 years from the date of supply (down from 3 years). The refundable amount can also be offset against any VAT liability upon approval by the Commissioner.

Anti-tax avoidance provision

The use of exempted or zero-rated goods or services in a manner inconsistent with the purpose for which they were exempted or zero-rated shall be taxable at the time of disposal or inconsistent use.

Comment: The implementation of this provision may be hindered by the fact that most privileged persons or projects will extend or grant the tax exemption to its suppliers or service providers who are independent persons that are separate from the privileged person. It is not clear whether the offence will be placed on the supplier or its client.

Reclassification of items

Description	Old rate	New rate
3006.93.00 Placebos and blinded (or double-blinded) clinical trial kits for a recognised clinical trial, put up in measured doses	16%	Exempt
Taxable goods, imported or purchased for direct and exclusive use in the implementation of official aid funded projects excluding fuels, lubricants and tyres for vehicles	Exempt	16%
All goods imported or purchased locally by the Defence Forces Welfare Services	16%	Exempt
Taxable goods, excluding motor vehicles, imported or purchased for direct and exclusive use in geothermal, oil or mining prospecting or exploration by a company granted a prospecting or exploration license in accordance with the Energy Act (Cap. 314), production sharing contracts in accordance with the Petroleum Act (Cap. 308) or a mining license in accordance with the Mining Act (Cap. 306) upon recommendation by the Cabinet Secretary responsible for matters relating to energy, the Cabinet Secretary responsible for matters relating to petroleum, or the Cabinet Secretary responsible for matters relating to mining, as the case may be.	Exempt	16% Effective 1 July 2026
Medicaments of tariff numbers 3003.41.00, 3003.42.00, 3003.43.00, 3003.49.00, 3003.60.00 (excluding goods of heading 30.02, 30.05 or 30.06) consisting of two or more constituents which have been mixed together for therapeutic or prophylactic uses.	Exempt	16% Effective 1 July 2026
Such capital goods the exemption of which the Cabinet Secretary may determine to promote investment in the manufacturing sector: Provided that the value of such investment is not less than two billion shillings, the exemption was granted before 27th December 2024 and the exemption shall only continue to apply until 27th December, 2025	Exempt	Exempt
Taxable goods of Chapter 5407 and Chapter 6309 imported as raw materials for manufacture of textile products in Kenya upon recommendation of the Cabinet Secretary responsible for investments, trade and industry	Exempt	16%
Mosquito repellent	16%	Exempt
Inputs, machinery and raw materials used in the manufacture of mosquito repellent on recommendation by the Cabinet Secretary responsible for matters relating to health.	16%	Exempt
The supply of locally consumed teas	16%	Exempt
Taxable services supplied to manufacturers of mosquito repellents upon recommendation by the Cabinet Secretary responsible for matters relating to health.	16%	Exempt
Accommodation, restaurant, beauty salon and laundry services provided by the Defence Forces Welfare Services	16%	Exempt

Taxable services for direct and exclusive use of the Defence Forces Welfare Services.	16%	Exempt
Packaging materials for tea and coffee upon recommendation by the Cabinet Secretary for matters relating to agriculture.	16%	Zero rated

→ Tax Procedures Act changes

Certificate of origin for imported goods

The practice of obtaining a certificate of origin for imports under the EACMA (East Africa Community Customs Management Act) has now been enshrined under the domestic laws in Kenya (VAT Act, Income Tax Act and Excise Duty Act) by inclusion in the TPA. A certificate of origin should disclose the following:

- (1.) name and address of the exporter;
- (2.) name and address of the importer;
- (3.) port of origin;
- (4.) accurate description of the goods;
- (5.) quantity of the goods;
- (6.) country of origin; and
- (7.) country of destination.

Comment: This development will see the application of rules of origination in item classification and application of any special rates aimed at swaying consumption or protecting local industries. It also aims at curbing tax evasion through misdeclaration of origin and will ensure proper application of preferential trade agreements. However, it may increase compliance costs and administrative burden for importers, especially those dealing with small consignments or from regions with less formalized export documentation.

Additional exemptions from eTIMS invoicing

Payments which are subject to Withholding Tax as a Final Tax will no longer require invoices generated from an electronic tax invoice management system (eTIMS).

Comment: Examples of such payments are dividend payments, and payments to non-residents such as Royalty fees, Management & professional fees etc.

Requirement for statement of reasons for amended assessments issued by the KRA

The Commissioner's discretionary powers to amend assessments even after 5 years will now require a clear 'statement of reasons' that will enable taxpayers to properly challenge them where necessary.

Comment: This change was necessitated by the spirit created in the Constitutional requirement for Fair Administrative Action. It is in line with the judgment from the Tax Appeals Tribunal in the case of Ndirangu t/a Ndirangu Hardware v Commissioner of Domestic Taxes (Tax Appeal E070 of 2021) [2023] KEHC 19357 (KLR).

Prohibition of principal tax assessments in withholding tax transactions where withholder already paid

The Commissioner will no longer be allowed to assess unpaid withholding tax where the recipient of the payment has paid and accounted for the full principal tax not deducted, withheld or remitted.

Comment: This is a fair and reasonable measure in line with Article 47 of the Constitution of Kenya. The double payment of tax on similar transactions is indeed unfair and illogical.

Extension of agency notices to non-residents

The issuance of agency notices to recover any unpaid taxes has now been extended to non-residents.

Comment: This is an enforcement measure for the tax obligations introduced on non-residents plying their trade in the digital space as per the unilateral measures under Action 1 of the BEPS Action Plans e.g. SEPT and DAT. KRA is expected to issue agency notices to the resident intermediary banks or financial institutions that collect revenue on behalf of the non-compliant non-resident persons.

Repeal of 'non-compliance penalties' in place of 'late compliance penalties'

The 10% penalty for not complying with withholding VAT has been repealed. Generally all late declaration penalties (for all tax heads under the TPA) will now apply to instances of non-compliance.

Comment: The Commissioner will now be able to enforce and collect such penalty from non-filers and dormant taxpayers.

Extension of timelines for tax refunds

The timeline for considering and processing refund applications has been extended from 90 days to 120 days. Where a refund application has been subjected to audit by KRA, the timeline for processing the application has been extended from 120 days to 180 days.

Comment: This will provide the KRA with ample time to review and process refund applications, and curb the rampant rejections issued due to inability by the Commissioner to meet the statutory timelines.

Waiver of penalties arising from technical hitches and mishaps

The Cabinet Secretary in charge of Treasury, upon recommendation of the Commissioner, will be able to waive the whole or part of any penalty or interest caused by any of the following:

1. An error generated by an electronic tax system
2. A delay in the updating of an electronic tax system.
3. A duplication of a penalty or interest due to a malfunction of an electronic tax system; or
4. The incorrect registration of the tax obligations of a taxpayer.

Comment: This is in compliance with the Tax Appeals Tribunal judgment under case no. E054 of 2024 where the KRA was prohibited from collecting any late filing and payment penalties that arose from delay caused by the iTax system downtime

Clarification of tax imposed on digital lenders

The definition of 'digital lender' now explicitly excludes banks licensed under the Banking Act, Sacco societies registered under the Co-operative Societies Act or microfinance institutions licensed under the Microfinance Act. A non-resident person has also been defined as a person outside Kenya.

Comment: This move will encourage digital credit providers (especially foreign-owned) to seek for local licenses. This will ensure their activities are monitored, controlled and regulated under the relevant laws and regulations. The licensed digital lenders are also already subject to excise duty for provision of financial services and money transfer services. However the definition of non-residents is ambiguous since foreign entities with permanent establishments (PEs) in Kenya might avoid the tax on the ground that they are offering the service from a location 'within Kenya'.

Harmonization with EACCMA and VAT Act

The definition of a digital marketplace is now similar to that under the VAT Act. In addition the tariff codes and classification rules applied under the EACCMA and VAT Act will be used in classification and interpretation of items under the Excise Duty Act. The definition of 'place of supply' also mirrors that under the VAT Act with a view of bringing to tax services consumed by a person in Kenya (from a location outside Kenya) through the internet, an electronic network or a digital marketplace.

Comment: This will enhance certainty to taxpayers especially within the digital economy. It will also avoid disputes due to the existing comprehensive tariff rulings to be applied on Excise duty Act item classifications.

Exemption of Micro distillers

Micro distillers have been exempted from the requirement to maintain mass flow meters, continuous piping and automation in processes that enable the Commissioner to measure the excisable goods in the factory. A Micro distiller has been defined as a manufacturer of a spirituous beverage through two fundamental processes of fermentation and distillation using a still (boiler) not exceeding 1,800 litres and whose annual production volume does not exceed 100,000 litres per year.

Comment: This is a welcome move that cushions small players within the industry from the costly requirement where a cheaper option of using excise stamps already exists in law.

Changes to Excise licensing requirements

The Act has imposed a 14-day timeline on the Commissioner to consider and decide on an application for an excise license that is in the prescribed form, and accompanied by the prescribed fees and lodged in the prescribed manner. In addition any person who imports, distributes or handles methanol and ethanol in Kenya shall be required to possess an excise license.

Comment: The adoption of defined timelines for approvals required from the Commissioner is a welcome move that creates certainty in tax processes. The licensing relating to methanol and ethanol is ambiguous and might cover all players within the supply/ distribution chain.

Changes in taxation of betting and gaming sector

The rate of excise duty on betting and gaming has been reduced from 15% to 5%, and will now apply on the amount deposited into a customer's betting wallet instead of the amount wagered.

Comment: The shift from taxation of the amount wagered to amount deposited into a customer's betting wallet shifts the focus to a larger amount already received by a punter.

Changes in Excise duty rates

Tariff Description	New Rate	Previous Rate
Imported eggs of tariff heading 04.07	N/A	25%
Imported onions of tariff heading 07.03	N/A	25%
Imported potatoes, potato crisps and potato chips of tariff heading 07.01	N/A	25%
Coal	N/A	2.5% of the custom value
Imported other 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, 3920.43.90, 3920.62.90 and 3921.19.90 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	N/A	25% of the excisable value or Kshs. 75 per kilogramme, whichever is higher
Imported Printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of the excisable value or Kshs. 150 per kilogramme, whichever is higher	25% of the excisable value or Kshs. 150 per kilogramme, 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 East African Community Partner States that meet the East African Community Rules of Origin	25% of the excisable value or Kshs. 200 per kilogramme, whichever is higher	25% of the excisable value or Kshs. 150 per kilogramme, 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 skilllets, free-hinge lid packets of tariff heading 4819.10.00, 4819.20.10 and 4819.20.90	25% of the excisable value or Kshs. 200 per kilogramme, whichever is higher	25% of the excisable value or Kshs. 150 per kilogramme, whichever is higher
Imported Glass bottles (excluding imported glass bottles for packaging of pharmaceutical products) Provided that it shall not apply to glass bottles imported from any of the countries within the East African Community	35% or KShs. 40 per kg whichever is higher	35%
Imported Articles of plastic of tariff heading 3923.30.00	10%	10%
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. 300 per square meter	5% of custom value or KShs. 200 per square meter
Cosmetics and Beauty products of tariff heading No. 3303, 3304, 3305 and 3307	N/A	15%
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 7005 but excluding those imported by a registered processor upon the recommendation by the Cabinet Secretary responsible for matter relating to industry and those originating from East African Community Partner States that meet the East African Community	35% of excisable value or KShs. 500 per square meter whichever is higher.	35% of customs value or Kshs. 200 per kilogramme, whichever is higher

Rules of Origin and the corresponding rate of Excise Duty.		
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The Act has introduced excise duty on the following items:

Tariff Description	Rate
Imported other 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, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of the excisable value or Kshs. 200 per kilogramme, whichever is higher
Imported printed polymers of ethylene of other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.10.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of the excisable value or Kshs. 200 per kilogramme, whichever is higher
Imported printed polymers of vinyl chloride containing by weight not less than 6% of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.43.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of the excisable value or Kshs. 200 per kilogramme, whichever is higher
Imported printed poly (ethylene terephthalate) of polycarbonates, alkyd resins, polyallyl esters or other polyesters of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.62.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of the excisable value or Kshs. 200 per kilogramme, whichever is higher
Imported printed cellular of other plastics of other plates, , sheets, film, foil and strip of tariff number 3920.19.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of the excisable value or Kshs. 200 per kilogramme, whichever is higher
Printed self-adhesive paper of tariff number 4811.41.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of the excisable value or Kshs. 200 per kilogramme, whichever is higher
Gummed paper and paperboard of tariff number 4811.49.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of the excisable value or Kshs. 200 per kilogramme, whichever is higher
Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages.	Kshs. 500 per liter

→ Miscellaneous Fees and Levies Act changes

Appropriation of Import Declaration Fees (IDF)

The Act has provided for 20% of fees collected from IDF to be paid into a Fund established and managed in accordance with the Public Finance Management Act. In addition 10% of monies in the new Fund shall be used for the payment of Kenya's contributions to the African Union and any other international organisation to which Kenya has a financial obligation, while another 10% shall be used for revenue enforcement initiatives.

Changes to list of exemptions from Import Declaration Fee (IDF) and Railway Development Levy (RDL)

The exemption list has been extended to inputs, raw materials and machinery used in the manufacture of mosquito repellents. However woven fabrics, worn clothing, and goods under tariff codes 5407 and 6309 used in textile manufacturing have been removed from the exemption list.

Comment: The removal of textile-related exemptions may raise production costs for local manufacturers, potentially affecting retail prices. The textile sector, however, may feel the pinch unless local capacity is scaled up to meet demand. On the other hand the exemption for mosquito repellent inputs is a welcome reprieve, especially in light of public health concerns after the recent withdrawal of USAID support.

Addition of items subject to Export and Investment promotion levy

The Act has introduced the following additions to the Third Schedule of the Miscellaneous Fees and Levies Act:

- Ceramic products under headings 69.07 and 69.10 are now subject to tax at 3%.
- Iron and steel products under headings 72.06, 72.07, 72.13, 72.14, and 72.24 are now subject to tax at 17.5%.

Comment: These additions indicate a clear policy direction towards the protection of local industries dealing in the two products. While this move may increase the prices of similar imported products, it will allow local players to competitively gain market share.

Contacts for further information



George Maina
T +254 775 9740 50
M +254 711 2249 51
george.maina@roedl.com



Samuel Okumu
T +254 775 9740 50
M +254 723 6089 82
samuel.okumu@roedl.com



Benjamin Niragire
T +254 775 9740 50
M +254 721 3863 93
benjamin.niragire@roedl.com

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Imprint

Publisher:
Rödl & Partner Limited
5th Floor, Empress Office Suites
(Opposite The Oval)
Jalaram Road, Westlands
Nairobi
+254 775 974 050
www.roedl.com/kenya

Responsible for the content:
George Maina
George.Maina@roedl.com

Layout/Type:
Lucy Matito
Lucy.Matito@roedl.com

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