



KEPSA GOK FINANCE BILL ISSUES ACTION LOG

13TH JUNE 2024

#	DISCUSSION ISSUE/ SECTOR	WAY FORWARD	TIMELINE
1.	<p>i) Turnover Tax (TAT) 3% applicable on Kes.25M Annual Turnover to be aligned with VAT applicable turnover at Kes.5m currently (finance Bill proposes VAT at Kes.8M Turnover). i.e increase VAT to apply to Turnover of Kes.25M. <i>(Align threshold for TAT and VAT)</i></p> <p>ii) IDF currently at 2.5%. Finance Bill proposes 3%</p>	<p>i) Tidy up the VAT alignment threshold to synchronize with the Turnover Tax</p> <p>ii) Explore three Import Declaration Fee (IDF) Bands for IDF (Raw materials 1.5%, intermediate 2.5% and finished goods 3.5%)</p>	<p>Immediate</p> <p>Immediate</p>
2.	<p>Motor Vehicle Tax -Exempt commercial & agricultural</p>	<p>To have different calibrations for the different clusters of motor vehicles, especially for the commercial & agricultural.</p>	N/A
3.	<p>Manufacturing: Export Promotion & Investment Levy - Support on finished goods. - Levy on Paper to be removed/ reduced to 3% - Levy steel billets to be reduced to 3% subject to 100% absorption of local production</p>	<p>Ministry Investments Trade and Industry (MITI) alignment to be obtained on this proposal on Paper & Billets</p> <p>A proposal for the private sector to pursue alternative packaging materials to help reduce over-dependence on costly importations as this will offer them business opportunities and build local manufacturing.</p>	Immediate
4.	<p>Manufacturing: Excise duty on Coal makes clinker production expensive; 5% of value or 27,000 per Metric Tonnes (MT) whichever is higher</p>	<p>Coal is a raw material (fuel) for clinker manufacturing. Consider removal of Excise Duty</p>	To be guided



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5.	<p>Manufacturing: Edible Oil 25% duty on imported crude oil. Importing 98% finished product is a concern for Govt.</p>	<p>Verification of the Crude Palm Oil (CPO) value addition threshold of 98% is to be undertaken to determine how much exercise duty will be imposed on the CPO. The Government is also keen on domesticating local production of edible oils.</p>	<p>Before the Parliamentary Group on Monday 17th June 2024.</p>
6.	<p>Manufacturing: Eco-Levy -To be applicable only on imported finished products.</p>	<p>Review the impact on products that are locally manufactured. Restrict to imported products. For the locally manufactured finished products, the Extended Producer Responsibility (EPR) will be applicable.</p>	<p>Immediate</p>
7.	<p>Broken Rice Standards for locally milled rice</p>	<p>Explore the standards to allow human consumption on locally produced broken rice. President advised the Kenya Bureau of Standards (KEBS) to review standards to accommodate locally produced rice that can be consumed to reduce importation.</p>	<p>Medium term</p>
8.	<p>Financial Services i) VAT & Excise Duty should not be both applicable to financial transactions. The proposal was to remove VAT and maintain Excise duty, but review the impact of the proposed increase.</p>	<p>i) Review the Bill's proposal to increase Excise Duty from 15% to 20% on revenue generated from the banking financial stream.</p>	<p>Review & revert</p>



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9.	Capital Markets i) Infrastructure & Green Bonds exemption from Withholding tax (WHT). ii) Real Estate Investments Trusts (REITS) (tax predictability - 20% Stamp duty on transfer of property on a REIT & WHT on the transaction.	Discussions are to be held to unlock stuck investments in the products.	To be guided
10.	ICT Issues i) Excise duty on Broadband data (15-20%). Proposed to retain to 15% ii) Digital payments tax (15-20%) iii) Eco-levy on finished goods for devices to take on residue and e-waste disposal iv) VAT Zero-rated on assembled phones/ ICT devices/SIM cards v) E-TIMS compliance vi) Significance economic presence tax (in place of DST) vii) The digital services tax (DST) was proposed to be revised back to 1.5%.	Explore a middle ground on the proposals on access to information/broadband. ECO levy settled on finished goods for devices. Review 16% VAT on zero-rated locally assembled phones. The DST is to be reviewed while waiting on the OECD deliberation. The Government highlighted the commitment by META to monetize the Digital Creative industry.	Immediate
11.	Agriculture i) Local manufacturing of 11 new fertilizer companies; VAT to remain zero-rated NOT exempt on Micronutrients, foliar feeds and Bio-stimulants, and agricultural pest control products ii) Kentrade - \$10 fees per export document (online) excessive	i) Review inputs submission to support local fertilizer manufacturing ii) Explore \$2-\$3 on Kentrade export document fee	Immediate



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12.	Legal/Law Society of Kenya i) Privacy/data protection Act Sec.30. KRA waiver problematic ii) Tax procedures Act; Tax Agency notices-stays; timelines unreasonable	Review a win-win solution for Kes.60bn stuck on the Tribunal system	Medium Term
13.	Boda Boda & TUK TUK i) 3% Levy on Completely Knocked-Down (CKDs) introduced in finance Bill to be reviewed ii) Increase local content on local parts production	National Treasury to engage	Immediate
14.	Transport i) Vehicle circulation tax ii) Batteries eco-levy Ideas to Grow Tax Revenue from Sector -Explore tolling -Advance Tax (at vehicle inspection) -Advance tax on PSV licensing -Cashless ticketing switch / TLB on trucks -NTSA booking fees; double it -Public infrastructure eg. terminus/depots -The less you carry the more you pay policy review -Formalization gains -Kes. 50 per boda-boda fee per day	Agricultural & Commercial vehicles are exempted from Eco-levy National Treasury to engage KEPSA Transport Expert for insights	N/A Medium Term
15.	Tourism -Purchase of locally assembled special vehicles (land-cruisers) to be exempted from Excise Duty	Exemption from Excise Duty on locally assembled special vehicles- proposal accepted by H. E	Immediate



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16.	<p>Land and Housing</p> <p>i) Review the proposed increase of capital gains from 5% to 15% on land disposal and property</p> <p>ii) Earnings repatriation of fees at 15% on foreign income disadvantageous to locals – develop relevant policies.</p> <p>iii) Government to guide on the involvement of local professionals for foreign firms doing mega local projects</p> <p>iv) Commitment of Government in National Valuation roll</p>	<p>Review the rationale for capital gains & repatriation of income/ fees earned abroad</p>	<p>To be guided</p>
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