

KENYA 2024 PROPOSED FINANCE BILL

KEY HIGHLIGHTS

NEW PROPOSED TAXES & AMENDMENTS TO KENYA'S TAXES

NEW TAXES:

Motor Vehicle Tax: The Finance Bill 2024 proposes a new motor vehicle tax at a rate of 2.5% of the vehicle value. This tax applies to all vehicles except ambulances and those owned by the national and county governments as well as those owned by individuals protected under the Privileges and Immunities Act Cap. 179. The minimum tax payable is set at 5,000 shillings, while the maximum tax is capped at 100,000 shillings. Insurers are responsible for collecting this tax and remitting it to the Kenya Revenue Authority (KRA) within 5 days from the date the vehicle is insured. Failure to remit the tax on time incurs a penalty of 50% of the uncollected tax amount plus the original tax.

Digital Content Tax: Operators and those monetizing digital content will face a new digital content tax at a rate of 5% for residents and 20% for non-residents (e.g. Amazon, Google, Netflix).

VAT on Bread and Local

Phones: A proposed 16% VAT will apply to bread and locally assembled mobile phones.

Withholding Tax on Goods

Supplied to Public Entities: A new withholding tax is proposed on goods supplied to public entities, set at 3% for residents and 5% for non-residents.

Top-Up Tax on Multinationals:

Multinationals with a turnover of at least 750 million euros and an effective tax rate below 15% will be subject to a top-up tax, although the specific rate is not clearly indicated.

Eco Levy: The Bill seeks to introduce an Eco Levy: Office machines at Kes 98/unit, calculating machines at Kes 225/unit, automatic data processing machines at Kes 225/unit, arts & accessories at Kes 98/unit, telephones (including smart phones) at Kes 225/unit, microphones & speakers at Kes 98/unit, monitors & projectors at Kes 1,275/unit, and specific diapers at Kes 98/unit.

AMMENDMENTS TO TAXES:

Treatment of Contributions:

Contributions to the Social Security Investment Fund (SSIF), post-retirement medical benefits, and the affordable housing levy will be treated as deductible expenses.

Income Tax on Infrastructure

Bonds: Income from infrastructure bonds will be taxable rather than tax-exempt.

Taxation of Registered Family

Trusts: Income generated from registered family trusts will be subject to taxation.

VAT on Financial Services:

VAT will be introduced on financial services such as loans, Unit Trust Management fees, credit/debit cards and forex transactions at a rate of 16%.

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TAX

TAXES REMOVED OR REDUCED:

Changes to VAT Threshold:

The VAT registration threshold will be increased from 5 million to 8 million shillings.

VAT on Betting, Gaming, and Lottery:

Betting, gaming, and lottery activities will now attract VAT at a rate of 16%.

Excise Duty Adjustments:

Excise duty on telephone services, internet data, and money transfer services by cellular phone will increase from 15% to 20%. Additionally, excise duty will be extended to include advertisements on the internet and social media.

Amendments to Alcoholic Beverage Taxes:

Excise duty payable on alcoholic beverages will now be due within 5 working days, with reduced duty on beers and increased duty on whiskeys and strong spirits.

Plastic Excise Tax:

The bill proposes reinstating a 10% excise tax on all plastic under tariff heading 3923.30.00, without the "imported" clause, potentially affecting locally made items.

Import taxes:

Import Declaration Fee to be increased from 2.5% of customs value to 3.0%, this may hurt imports.

Export and Investment Promotion Levy:

The export and investment promotion levy will be reduced from 17.5% to 3%, applicable to items such as vodka, cooking stoves, milk, and cream with a fat content between 1% and 6%.

AHL Relief repeal: To repeal Sec30A of the Income Tax Act which provides for Affordable Housing Relief (15.0% capped at Kes 9,000.0 per month or Kes 108,000.0 per annum).

Excise Duty Repeal: To repeal Sec14 of the Excise Duty Act. Manufacturers will no longer be able to use excise duty paid in respect of excisable imports used as raw material to offset their obligation on excise for the finished product AND those paying excise duty having purchased data/internet in bulk for resale will no longer be able to offset excise to the final consumer with that which they paid to the service provider.

The Affordable Housing Act:

Deleting Sec 54 to do away with the requirement that sale must be preceded by approval by the Affordable Housing Board.



POSITIVE CHANGES TO TAX:

Pension deductions: Allowable pension deduction being increased from Kes 20,000 to Kes 30,000 per month.

Advance Pricing Agreements:

To include APAs to increase the certainty with respect to tax outcome of international transactions in transfer pricing.

Income Tax Refunds:

To have income tax refunds within 5 years & every other tax within 6 months



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Additional notes in the proposed Financial Bill 2024

Data Protection Act

Amendments: The Finance Bill 2024 also seeks to amend the Data Protection Act to allow the revenue authority access to information for tax collection purposes. KRA will now have unrestricted access to private and personal data for assessment purposes.

KRA System Integration to

eTIMS: KRA will be empowered to require a taxpayer to integrate eTIMS, failure to comply with this requirement will see the tax payer slapped with at least 2.0M Ksh. every month.

Objection Decision

Timeframe: The objection decision timeframe by KRA will be extended from 60 days to 90 days, excluding public holidays and weekends.

Reduction of Penalties: The bill proposes a reduction in penalties for underpayment of installment tax by half.



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