

BUDGET 2017/2018 SYNOPSIS

GITHUKU MWANGI & KABIA
CERTIFIED PUBLIC ACCOUNTANTS



THEME

- ▶ Creating jobs, delivering a better life for all Kenyans
 - ▶ Support for FDI
 - ▶ Incentives for investors in health, blue economy, manufacturing, retail, SEZ
 - ▶ Lower individual taxes
 - ▶ Lower food prices
 - ▶ Donations toward disaster encouraged
 - ▶ Action taken on the betting craze



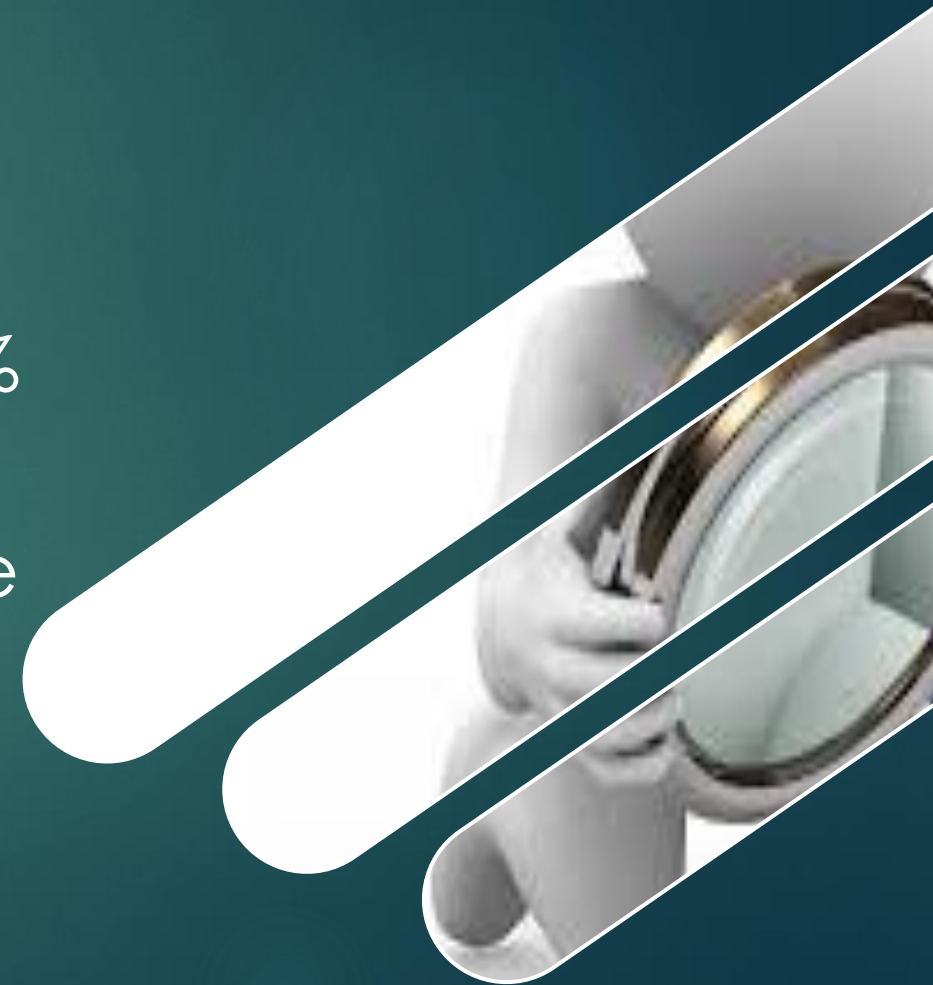
MANUFACTURING

- ▶ Excise duty paid on illuminating kerosene used in paint and resin manufacture to be refundable
- ▶ 80% remission of excise duty in respect of locally manufactured beer made from locally produced sorghum, millet or cassava or any other produce, excluding barley
- ▶ Increase the tax rate of spirits from Ks 175 per litre to Ks 200 per litre



MANUFACTURING

- ▶ Two tier tax structure of Ks 2,500 per mille for cigarette with filters and Ks 1,800 per mille for plain cigarette
- ▶ Reduce the corporate tax rate for new motor vehicle assemblers from 30% to 15% for the first five years
- ▶ Inputs for manufacture of pesticides to be VAT exempt. This promotes fairness between the importers and local producers



TOURISM

- ▶ Locally assembled tourist vehicles to be exempt from VAT



HEALTH

- ▶ Exempt from VAT medical equipment and apparatus for use in the specialized hospitals
 - ▶ Construction and equipping specialised hospitals will be cheaper



FINANCE

- ▶ Amend the tax statutes to provide for equivalent tax treatment of Islamic products with the conventional financial products



INVESTMENTS

- ▶ Dividends payable to non-residents by enterprises operating in Special Economic Zones (SEZ) to be tax exempt
 - ▶ Encourage foreign direct investment
- ▶ Withholding tax on interest payable to non-residents by Special Economic Zones Enterprises to be reduced from 15% to 5%
- ▶ Enterprises licenced under SEZ to deduct 100% of the investment cost of building and machinery



INVESTMENTS cont

- ▶ Exempt from export duty and Import Declaration Fees respectively goods exported to and imported by an enterprise licenced under the SEZ Act
- ▶ Exempt from VAT the transactions related to transfer of assets into Real Estate Investment Trusts (REITs) and Asset Backed Securities (ABS)



FISHING

- ▶ 150% investment deduction allowance for capital expenditures in the blue economy
- ▶ Exempt from VAT packaging materials and other inputs intended to support primary, secondary and ancillary marine fisheries and fish processing
- ▶ 50% reduction in port charges for fisheries vessels



BETTING & GAMING

- ▶ Raise taxes for betting, lottery, gaming and competition from the current rates of 7.5%, 5%, 12% and 15%, respectively, to a uniform tax rate of 50% for all categories
 - ▶ Discourage betting
 - ▶ Proceeds to support culture, sports and art



EMPLOYMENT INCOME

- ▶ Individual tax bands expanded by another 10%
- ▶ Personal relief to be increased by another 10%
 - ▶ Those earning below Ks 13,486 will not pay PAYE
- ▶ Bonuses, overtime and retirement benefits paid to the low income earners will remain tax exempt



RETAIL

- ▶ Ordinary bread and maize flour to be zero rated



TAX ADMINISTRATION

- ▶ Minister to publish the VAT Regulations to support the smooth implementation of the VAT Act, 2013
- ▶ Overhaul of the Income Tax Act to address issues in taxation of:
 - ▶ Capital Gains Tax
 - ▶ Compensation Tax
 - ▶ Pensions
 - ▶ Extractive industries
 - ▶ Cross border transactions



OTHERS

- ▶ Donations toward alleviation of distress during national disaster to be tax deductible
- ▶ Such donations should be channelled through the Kenya Red Cross, a County Government or any other institution responsible for national disaster
- ▶ White maize will be imported on a tax free basis for a period of four months
- ▶ Importation of dates during the period of Ramadan will be done free of taxes



▶ THANK YOU

