



Tax Alert

Highlights of the Finance Act, 2023

Introduction

The Finance Act, 2023 was signed on 26th June 2023, following approval by members of Parliament on the amendments made to the Bill that was tabled on 28th April 2023. Most of the proposals were approved, and further additions were introduced in the newly assented Act.

The amendments to tax affect the various tax laws, i.e. Income Tax Act, Value Added Tax (VAT) Act, 2013, the Excise Duty Act, Tax Procedures Act, 2015 and the Employment Act, 2007.

In this alert we highlight the major changes introduced by the Finance Act, 2023.

Key Areas Covered

1. Income Tax Act
2. Value Added Tax Act, 2013
3. Tax Procedures Act, 2015
4. Excise Duty Act
5. Employment Act, 2007
6. Other Tax Provisions

Income Tax Act

Value Added Tax Act

Tax Procedures Act

Excise Duty Act

Other Tax Provisions



Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Introduction of Digital Asset Tax	N/A	The Act has introduced Digital Asset Tax (DAT) to be payable by a person whose income is derived from transfer or exchange of digital assets, at a rate of 3% of the gross fair market value consideration received or receivable at the point of exchange or transfer of a digital asset, payable within 5 working days after making the deduction. Non-Resident persons that own a platform on which digital assets are exchanged or transferred will be required to register for DAT through the simplified tax regime.	<p>The term 'digital asset' is defined as "anything of value that is not tangible and cryptocurrencies, token code, numbers held in digital form and generated through cryptographic means or otherwise...providing a digital representation of value exchange with or without consideration that can be transferred, stored or exchanged electronically."</p> <p>This is a bid to increase tax base and to tax stakeholders in the digital economy. Previously, cryptocurrency and related assets mostly fell under the ambit of Digital Services Tax, where the owners of the platform on which digital assets were traded were subject to tax at 1.5% of the gross transactional value.</p> <p>This will effectively rake in more individuals to tax, which would increase the government's revenue.</p> <p>(Eff: 1st September 2023)</p>
Intellectual Property Income	The ITA did not specifically have provisions for the taxation of Intellectual Property transfers	The Act has introduced a provision in Section 18A of the ITA, where Intellectual Property income will be subjected to a preferential tax rate.	<p>We note that the Act has neither expressly defined the term 'intellectual property', neither has the preferential tax rate been specified.</p> <p>(Eff: 1st January 2024)</p>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Turnover Tax	Payable at a rate of 1% for businesses whose turnover is more than KShs. 1 Million but does not exceed or is not expected to exceed KShs. 50 Million during any year of income	Payable at a rate of 3% for businesses whose turnover is more than KShs. 1 Million but does not exceed or is not expected to exceed KShs. 25 Million during any year of income	The amendment effectively means that businesses whose turnover exceeds KShs. 25 Million will be subject to tax at 30% on their taxable incomes, while those remaining under the TOT regime will be subjected to 3% tax, which may be viewed as punitive. <i>(Eff: 1st July 2023)</i>
Deductibility of Interest charged on Mortgage loans	The ITA enabled persons who acquired loans from certain financial institutions for the purchase or improvement of premises occupied for residential purposes, to deduct the interest expenses associated with the loans, to a maximum of KShs. 300,000 for that year of income.	The Act has expanded the number of such financial institutions to include Mortgage Refinance companies licensed under the CBK Act.	This effectively makes mortgage refinance companies part of the financial institutions from which individuals can take mortgage loans and qualify for the monthly mortgage interest deduction. <i>(Eff: 1st January 2024)</i>
Deductibility of Expenses through the eTIMS platform	An expense was only allowable if it was “wholly and exclusively” incurred for the purposes of generating taxable income	The Act has introduced a new provision that only allows deduction of expenses whose invoices are generated through the electronic tax invoice management system (eTIMS) except where the transactions have been exempted.	This is an effort by the KRA to curb tax leakages related to claiming expenditure on the annual returns. <i>(Eff: 1st January 2024)</i>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment																				
Income Tax Act (cont'd):																							
Employment Income																							
Change in tax rates	<p>Previously, the tax rates for Individual Incomes were as per the table below:</p> <table border="1"> <thead> <tr> <th>Annual PAYE Bands</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>On the First KShs. 288,000</td> <td>10%</td> </tr> <tr> <td>On the next KShs. 100,000</td> <td>25%</td> </tr> <tr> <td>On all income over KShs. 388,000</td> <td>30%</td> </tr> </tbody> </table>	Annual PAYE Bands	Rate	On the First KShs. 288,000	10%	On the next KShs. 100,000	25%	On all income over KShs. 388,000	30%	<p>The Act has amended this position by introducing new tax rates for individuals earning monthly total incomes of above KShs. 500,000 and KShs. 800,000 respectively. The new rates introduced are as below:</p> <table border="1"> <thead> <tr> <th>Annual PAYE Bands</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>On the First KShs. 288,000</td> <td>10%</td> </tr> <tr> <td>On the next KShs. 100,000</td> <td>25%</td> </tr> <tr> <td>On the next KShs. 5,612,000</td> <td>30%</td> </tr> <tr> <td>On the next KShs. 3,600,000</td> <td>32.5%</td> </tr> <tr> <td>On all income over KShs. 9,600,000</td> <td>35%</td> </tr> </tbody> </table>	Annual PAYE Bands	Rate	On the First KShs. 288,000	10%	On the next KShs. 100,000	25%	On the next KShs. 5,612,000	30%	On the next KShs. 3,600,000	32.5%	On all income over KShs. 9,600,000	35%	<p>This amendment is aimed at increasing revenue for the Government, particularly with regard to employment tax revenues.</p> <p>Employers will have to make changes to their payroll systems to effect the said amendments so that the correct payroll taxes are calculated.</p> <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>
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Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Employment Income (cont'd)			
Club entrance fees	<p>Club fees including entrance and subscription fees paid by an employer on behalf of an employee were disallowable expenses in the ascertainment of the taxable corporate income of the employer.</p> <p>They were also not chargeable on the employee</p>	<p>The Act has amended this position by treating such expenses as allowable deductions against the employer's taxable income.</p> <p>The amounts claimed by the employer will be taxable on the employee.</p>	<p>This represents a shift in the tax burden to the employee with respect to club entrance fees.</p> <p><i>(Eff: 1st July 2023)</i></p>
Travelling Allowance on Mileage reimbursement	Mileage reimbursements was not specifically dealt with in the ITA.	<p>Amounts paid to an employee as mileage reimbursement for travelling to perform official duties will be exempt from tax, provided that such reimbursement is based on the standard mileage rate approved by the Automobile Association of Kenya (AA Kenya).</p>	<p>The amendment provides clarity and uniformity in determining what should be the appropriate amounts to allow as reimbursements.</p> <p><i>(Eff: 1st July 2023)</i></p>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Employment Income (cont'd)			
Employee Share Option Plans (ESOPs)	<p>Market Value of shares was previously defined to include:</p> <p>a) where the shares are fully listed on any securities exchange operating in Kenya, the mid-market value on the date the shares were granted by the employer; or</p> <p>b) where the shares are not fully listed, the price which the shares might reasonably be expected to fetch on sale in the open market, which, shall be agreed upon with the Commissioner before the grant of the options;</p>	<p>The Act has amended the definition of 'market value' to include:</p> <p>a) where the shares are fully listed on any securities exchange operating in Kenya, the mid-market value on the date the option was exercised by the employee; or</p> <p>b) where the shares are not fully listed, the price which the shares might reasonably be expected to fetch on sale in the open market, when the option is exercised;</p>	<p>This is aimed at providing clarity on the amount that should be considered when calculating the share option benefit accruing to the employee.</p> <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>
Income of a Married Woman	Wife's employment income, profession gains and profits was accounted as a separate source of income by the husband.	Wife's income shall no longer be treated as a separate source of income.	<p>This enables the individual declaration of incomes of a wife separately from that of her husband.</p> <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Taxation of shares granted to employees in place of cash emoluments by start-ups	N/A	<p>The Act has introduced a new provision where the benefit of shares issued by an eligible start-up to its employees in lieu of cash emoluments shall be deferred and taxed within thirty days of the earlier of:</p> <ol style="list-style-type: none"> the expiry of five years from the end of the year of the award of the shares; the disposal of the shares by the employee; or the date the employee ceases to be an employee of the eligible start-up. <p>The above shall be taxed on condition that:</p> <ul style="list-style-type: none"> the above provision shall not apply to any cash emoluments or other benefits in kind offered to an employee by virtue of the employment; 	<p>The Act defines an “eligible start-up company” as a business incorporated in Kenya that:</p> <ul style="list-style-type: none"> has an annual turnover of not more than KES 100 million shillings; does not carry on management, professional or training business; has not been formed as a result of splitting or restructuring of an existing entity; and has been in existence for a period of not more than five years. <p>This change will benefit employees of an eligible start-up company as they have the possibility of delaying /deferring the taxes that would be payable when they chose to be remunerated in terms of stock options instead of being paid in cash.</p> <p style="text-align: right;"><i>(Eff: 1st January 2024)</i></p>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Employment Income (cont'd)			
Taxation of shares granted to employees in place of cash emoluments (cont'd)	N/A	<ul style="list-style-type: none"> - the benefit shall be deemed to accrue at the earlier of the occurrence of the events contemplated in a, b or c above; - the value of the taxable benefit shall be the fair market value of the shares at the earlier of the occurrence of the events contemplated in a, b or c above; or where the fair market value is not available, the Commissioner shall determine the value of the shares based on the last issued financial statements. 	
Post-Retirement Medical Fund Relief	N/A	<p>The Act has introduced a new Section 31A, where a resident individual contributing to a post-retirement medical fund shall be entitled to a post-retirement medical fund relief.</p> <p>The relief shall be equivalent to the lower of 15% of the contribution or KShs. 60,000 per annum.</p>	<p>The incentives introduced encourages individuals to save up for their healthcare needs that would arise the point of their retirement.</p> <p style="text-align: right;"><i>(Eff: 1st January 2024)</i></p>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Exempt Income	Incomes were previously taxable at the normal corporate tax rate.	<p>The Act has introduced new provisions that exempt the following incomes from corporation tax:-</p> <ol style="list-style-type: none"> Royalties paid to a non-resident person by a company undertaking the manufacture of human vaccines. Interest paid to a resident person or nonresident person by a company undertaking the manufacture of human vaccines. Investment income from a post-retirement medical fund, whether or not the fund is part of a retirement benefits scheme. Income earned by a non-resident contractor, sub-contractor, consultant or employee involved in the implementation of a project financed through a one hundred percent grant under an agreement between the Government and the development partner, to the 	<p>The newly introduced exemptions are an aim by the government to reduce the tax burden on the persons associated with the said transactions.</p> <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Exempt Income (cont'd)		<p>extent provided for in the Agreement: Provided that the non-resident is in Kenya solely for the implementation of the project financed by the one hundred percent grant.</p> <p>e) Gains on transfer of property within a special economic zone enterprise, developer and operator.</p> <p>f) Royalties, interest, management fees, professional fees, training fees, consultancy fee, agency or contractual fees paid by a special economic zone developer, operator or enterprise, in the first ten years of its establishment, to a non-resident person.</p>	
Incomes no longer Exempt	Incomes of a company undertaking the manufacture of human vaccines were considered as exempt.	The exemption of incomes from vaccine manufacturing companies has been removed and is now subject to a tax rate of 10%.	<p>The removal of blanket exemptions that were previously enjoyed by vaccine manufacturers would increase Government revenue.</p> <p><i>(Eff: 1st January 2024)</i></p>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Investment Allowance	The ITA did not have specific rates for Industrial buildings and docks, after the Repeal of the Second Schedule by the Tax Laws (Amendment) Act, No.1 of 2020.	<p>The Act has introduced new items that will qualify for investment allowances:-</p> <p>a) Industrial Building, at 10%</p> <p>b) Dock, at 10% in equal instalments</p> <p>Industrial building has been defined as a building in use for the purpose of transport, bridge, tunnel, inland navigation water and electricity or hydraulic power undertaking.</p> <p>Dock has been defined as a container terminal berth, harbour, wharf, pier, jetty, storage yard, or other works in or at which vessels load or unload merchandise but does not include a pier or jetty used for recreation</p>	<p>This will encourage additional investments for entities that operate in the maritime sector.</p> <p><i>(Eff: 1st January 2024)</i></p>
	No specific definition in the ITA	“machinery used for agriculture” means machinery used directly in agricultural activities including tilling, planting, irrigation, weeding and harvesting	<p>This is aimed at providing clarity especially when considering claiming of capital allowances.</p> <p><i>(Eff: 1st January 2024)</i></p>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Investment Allowance (cont'd)	“Civil Works” included roads and parking areas; railway lines and related structures; water, industrial effluent and sewerage works; communications and electrical posts and pylons and other electrical supply works; security walls and fencing.	The definition of “civil works” has been expanded to include: Earthworks for telecommunication equipment and construction works undertaken in connection with the installation and maintenance of telecommunication equipment and related structures	The amendment provides clarity on the definition of civil works. <i>(Eff: 1st January 2024)</i>
	No specific definition in the ITA	“telecommunications equipment” includes civil works deemed as part of the telecommunication equipment or civil works that contribute to the use of the telecommunication equipment.	This will encourage additional investments for entities that operate in the telecommunications sector. <i>(Eff: 1st January 2024)</i>
	"Manufacture" was previously defined as the making, including packaging, of goods from raw or semi-finished goods, or the generation of electrical energy, or the transformation and distribution of electricity, but does not include design, storage, transport, administration or any other ancillary activity.	The Act has amended the ITA to define the term "Manufacture" as the <u>refining or</u> making, including packaging, of goods from raw or semi-finished goods, or the generation of electrical energy, or the transformation and distribution of electricity, but does not include design, storage, transport, administration or any other ancillary activity.	The amendment provides clarity on the entities that would enjoy capital deductions with respect to manufacturing. <i>(Eff: 1st January 2024)</i>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Extension of period for claiming Investment Allowance	150% Deduction was allowed for capital expenditure of at least KShs. 5 Billion incurred on the construction of bulk storage and handling facilities for supporting the Standard Gauge Railway operations. The provision, which was introduced by the Business Laws Amendment Act, 2020, had a validity period of up to 31 st December 2023.	The Act has amended the provision under Section 133 (6) of the Income Tax Act by extending the validity period of the Investment Allowance to 31 st December 2024.	This will enable the associated entities to enjoy a further year of tax incentives that would cushion their financial operations. <i>(Eff: 1st July 2023)</i>
Capital Gains Tax			
CGT on alienation of shares	N/A	The Act has introduced a new provision that charges CGT on gains derived from the alienation of shares or comparable interests, including interests in a partnership or trust, if, at any time during the 365 days preceding the alienation, the shares or the comparable interest derived more than 20% of their value directly or indirectly from immovable property situated in Kenya.	The amendment affects entities, including companies and partnerships, that have been formed or incorporated for the purposes of managing immovable property directly or indirectly. <i>(Eff: 1st July 2023)</i>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Capital Gains Tax (cont'd)			
Adjusted Cost	Transfer of property acquired in a transaction that is exempt from CGT would indicate the adjusted cost in the subsequent transfer as the fair market value of the property at the time it was acquired.	The Act has amended this position by stating "Where property is transferred in a transaction that is not subject to capital gains tax, and the property is subsequently transferred in a taxable transaction within a period of less than five years, then the adjusted cost in the subsequent transfer shall be based on the original adjusted cost as determined in the first transfer."	This is aimed at discouraging the misuse of capital gains tax exemptions by ensuring that the cost of acquisition claimed in a taxable transaction is not inflated or unfairly stated. <i>(Eff: 1st July 2023)</i>
Due Date for payment of CGT	Due Date for CGT tax was on or before transfer of the property at the Lands office, but not later than the 20th day after the transfer	The Act has amended this position to the earlier of— a) receipt of the full purchase price by the vendor; or b) registration of the transfer.	This provides clarity on the actual date of payment of CGT. On the other hand, it ensures that the Government receives such tax revenues at a much earlier date. <i>(Eff: 1st July 2023)</i>
CGT with regard to Internal restructuring	Internal restructuring within a group which does not involve transfer of property to a third party, was exempted from CGT	In the new provision, the group in which the internal restructuring is being done must have existed for a period of at least twenty-four months.	This is a measure by the Government to tame the misuse of tax exemptions relating to Internal restructuring of a group. <i>(Eff: 1st July 2023)</i>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Advance Tax on Motor Vehicles			
Change of tax rates	<p>Currently the Advance Tax payable is KShs. 1,500 per tonne of load capacity per year or KShs. 2,400 per year, whichever is the higher</p> <p>For saloons, station-wagons, mini-buses, buses and coaches, the advance tax rate is KShs. 60 per passenger capacity per month or KShs. 2,400 per year, whichever is higher.</p>	<p>The Act has amended the tax rates to KShs. 2,500 per tonne of load capacity per year or KShs. 5,000 per year, whichever is higher.</p> <p>For saloons, station-wagons, minibuses, buses and coaches, the new advance tax rate will be KShs. 100 per passenger capacity per month or KShs. 5,000 per year, whichever is higher.</p>	<p>The rate increases are aimed at increasing revenue for the Government.</p> <p><i>(Eff: 1st January 2024)</i></p>
Withholding Tax			
Excess Withholding Tax paid arising from an audit adjustment will not be refundable	N/A	<p>The Act has introduced a provision in a case where payment has been made to a Non-resident person, withholding tax paid thereon shall not be refundable or available for deduction against the income where an audit adjustment has been made in respect of such payment.</p>	<p>The new introduction will be hurtful to taxpayers as the non-refund of overpaid taxes would hinder inflow of cash that would have been essential in funding the operations of the business.</p> <p><i>(Eff: 1st July 2023)</i></p>

Income Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Income Tax Act (cont'd):			
Withholding Tax (cont'd)			
Due date for payment of WHT	On or before twentieth of the month following the deduction	Within <u>Five working days</u> after deduction	The reduction of the payment period may exert undue pressure to taxpayers and increase compliance costs. <i>(Eff: 1st July 2023)</i>
Winnings	20% (on winnings of any kind)	20% (on winnings excluding the amount staked or wagered in a betting or gaming activity)	This is aimed at providing clarity on the tax point of winnings. <i>(Eff: 1st July 2023)</i>
Lease premium on immovable property	10%	7.5%	The reduction in rate is aimed at encouraging landlords to be tax compliant. <i>(Eff: 1st January 2024)</i>
Residential Rental Income	10%	7.5%	
Payments to resident persons in respect of sales promotions, marketing and advertising services	N/A	5%	Sales and marketing income will now be subject to Withholding Tax. <i>(Eff: 1st July 2023)</i>
Rental income collected by agents who have been appointed by KRA	N/A	7.5%	This is aimed at aligning with the newly reduced tax rate for rental incomes. <i>(Eff: 1st January 2024)</i>
Incomes from Digital Content Monetisation	N/A	5% (for Resident persons) 20% (for Non-Resident persons who do not have a Permanent Establishment in Kenya)	The resident rate of 5% is a reduction from the 15% proposed in the Finance Bill, which is aimed at widening the tax base by bringing to tax gains accrued by content creators in the digital space <i>(Eff: 1st July 2023)</i>

Income Tax Act

Value Added Tax Act

Tax Procedures Act

Excise Duty Act

Other Tax Provisions



Value Added Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Value Tax Act (cont'd):			
Refund of VAT on Bad Debts	Where a VAT registered person has made a supply and has accounted for and paid tax on that supply but has not received any payment from the person liable to pay the VAT, they may, after a period of three years from the date of that supply or where that person has become legally insolvent, apply to the Commissioner for a refund of the tax involved, provided that the refund application is not made after the expiry of Four years from the date of the supply.	<p>In the new provisions, where a registered person has made a supply and has accounted for and paid tax on that supply but has not received any payment from the person liable to pay the tax on that supply and that person–</p> <p>a) has not received any payment from the person liable to pay the tax, he may, after a period of three years from the date of the supply; or</p> <p>b) the person to whom the supply was made has been placed under statutory management through the appointment of an administrator, receiver, or liquidator, he may apply to the Commissioner for refund of the tax involved</p> <p>The refund shall be processed subject to the following conditions:</p> <ul style="list-style-type: none"> - no application for a refund shall be made under this 	<p>The amendment ensures that taxpayers seeking to lodge a refund with regard to bad debts will not need the client/customer to be declared insolvent before the refund application is made.</p> <p>Additionally, taxpayers now have additional time from the previous 4 years to the current 10 years time frame to lodge the refund.</p> <p style="text-align: right;">(Eff: 1st July 2023)</p>

Value Added Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Value Tax Act (cont'd):			
Refund of VAT on Bad Debts (cont'd)		<p>section after the expiry of ten years from the date of supply;</p> <ul style="list-style-type: none"> - the refund shall be made in compliance with section 47(5) of the Tax Procedures Act; - the amounts may be credited to the taxpayer's record for use against future value added tax liabilities; - where the tax refunded under sub-section (1) and (2) is subsequently recovered from the recipient of the supply, the registered person shall refund the tax to the Commissioner with sixty days of the date of recovery; <p>if the payment is made within the time specified under subsection (1) and (2), an interest of two per cent per month or part thereof of the tax refunded shall forthwith be due and payable and the interest shall not exceed one hundred per cent of the refunded amount.</p>	<p>(Eff: 1st July 2023)</p>

Value Added Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Value Tax Act (cont'd):			
Charge to tax on Insurance Compensation	Previously, insurance compensation was not subject to VAT.	In the new provision, a <i>bona fide</i> owner of taxable supplies, who previously has deducted input tax, is compensated for the loss of the taxable supplies, the compensation shall be treated as a taxable supply and— a) if the compensation includes value added tax, the compensation shall be declared and the VAT thereon remitted to the Commissioner; or b) if the compensation does not include VAT, the compensation shall be declared and subjected to VAT and the tax remitted to the Commissioner.	The move to charge VAT on insurance compensation would only apply where input tax had been claimed. We however note that there will arise uncertainties in cases where insurance premiums did not include VAT. <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>
Record Keeping not limited to Kenyan borders	Previously, records of every transaction were required to be kept 'in Kenya'	The Act has amended this provision by deleting the words 'in Kenya'.	The change is beneficial as it recognizes the record-keeping mediums, especially on digital or electronic platforms, that may not be limited to physical national boundaries. <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>

Value Added Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Value Tax Act (cont'd):			
Mandatory registration for Suppliers of Imported Digital Services	Previously, VAT registration for persons supplying imported digital services through a digital marketplace, was subject to a turnover threshold of KShs. 5 Million	The Act has now mandated the VAT registration of all persons supplying imported digital services regardless of their turnover.	This will ensure that all actors on the digital marketplace that supply taxable services are subjected to VAT registration. <i>(Eff: 1st July 2023)</i>
Change of VAT Status	Taxable at 16%	Exempt	<ul style="list-style-type: none"> • Other medicaments, containing hormones or other products of heading No. 29.37 and containing antibiotics. • Taxable goods for the direct and exclusive use in the construction and equipping of specialized hospitals with a minimum bed capacity of fifty, approved by the Cabinet Secretary upon recommendation by the Cabinet Secretary responsible for health who may issue guidelines for determining eligibility for the exemption • Taxable supplies made to or by a school feeding programme recognized by the Cabinet Secretary responsible for matters relating to education <i>(Eff: 1st July 2023)</i>

Value Added Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Value Tax Act (cont'd):			
Change of VAT Status	Exempt	Zero-Rated	<ul style="list-style-type: none"> • Bioethanol vapour (BEV) Stoves classified under HS Code 7321.11.00 (cooking appliances and plate warmers for liquid fuel) <i>(Eff: 1st July 2023)</i>
	Exempt	16%	<ul style="list-style-type: none"> • Milk, specially prepared for infants • Taxable goods and services for direct and exclusive use for the construction of tourism facilities, recreational parks of fifty acres or more, convention and conference facilities upon recommendation by the Cabinet Secretary responsible for matters relating to recreational parks • Plant, machinery and equipment used in the construction of a plastics recycling plant • Infusion solutions for ingestion other than by mouth not put up in measured doses or in forms or packings for retail sale, Tariff code 3003.90.10 • Anti-sera, other blood fractions and immunological products • Fetal Doppler-Pocket (Wgd-002) Pc and pulse oximeter-finger held (Gima brand) Pc

Value Added Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Value Tax Act (cont'd):			
Change of VAT Status	Exempt	16%	<ul style="list-style-type: none"> • Other medicaments (excluding goods of heading No. 30.02, 30.05 or 30.06) consisting of mixed or unmixed products, for therapeutic or prophylactic uses, put up in measured doses or in forms or packings for retail sale, Tariff code 3004.90.90 <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>
	Taxable at 8%	Zero-Rated	<ul style="list-style-type: none"> • The supply of liquefied petroleum gas including propane <p>LPG gas was previously, through the Finance Act 2022, reduced from 16% to 8%, and has now been reduced further to 0%. This is a welcome move as it will reduce the operating costs, and further cushion Kenyans against the rising costs.</p> <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>

Value Added Tax Act

Provision	Previous Position	Amended Position	Impact / Comment
Value Tax Act (cont'd):			
Change of VAT Status	Taxable at 8%	Taxable at 16%	<ul style="list-style-type: none"> • Fuel (petrol, kerosene, and spirits) <p>The move to increase the VAT rate on fuel is a move by the government to generate more revenue, which will increase the cost of living and cause inflationary pressure on the populace.</p> <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>
	Taxable at 16%	Zero-rated	<ul style="list-style-type: none"> • The supply of motorcycles of tariff heading 8711.60.00 • The supply of electric bicycles • The supply of electric buses of tariff heading 87.02 • The supply of locally assembled and manufactured mobile phones • The supply of solar and lithium ion batteries • Inputs or raw materials locally purchased or imported for manufacturer of animal feeds • All tea sold for the purpose of value addition before exportation subject to approval by the Commissioner of Customs <p>This is a welcome move as it shall reduce the overall purchase cost of the above supplies.</p> <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>

Income Tax Act

Value Added Tax Act

Tax Procedures Act

Excise Duty Act

Other Tax Provisions



Tax Procedures Act

Provision	Previous Position	Amended Position	Impact / Comment
Tax Procedures Act:			
Appeal against Refund decisions	Previously, a “tax decision” included a refund decision, in instances where an appeal was to be filed at the Tax Appeals Tribunal.	<p>The Act has amended the TPA by excluding a “refund decision” from the ambit of a tax decision.</p> <p>The Act has also amended the definition of a tax decision to include <i>a demand for late payment interest</i>.</p>	<p>This will allow refund decisions to be appealed at the Tax Appeals Tribunal in the event that the taxpayer is aggrieved or not in agreement with the Commissioner’s decision.</p> <p style="text-align: right;">(Eff: 1st July 2023)</p>
Multilateral agreements relating to administrative assistance in collection of taxes	Not included in the TPA Act.	<p>The Tax Procedures Act is amended to include a provision that any multilateral agreement or treaty that has been entered into by or on behalf of the Government of Kenya relating to mutual administrative assistance in the collection of taxes shall have effect in the manner stipulated in such agreement or treaty.</p> <p>The Act further empowers the Commissioner to provide mutual administrative assistance in the recovery or collection tax claims upon request by a competent authority of a party to the international tax agreement.</p>	<p>This is aimed at fostering cooperation between revenue authorities of different countries/jurisdictions to promote tax collection.</p> <p style="text-align: right;">(Eff: 1st July 2023)</p>

Tax Procedures Act

Provision	Previous Position	Amended Position	Impact / Comment
Tax Procedures Act:			
Electronic tax Records	N/A	<p>The Act has introduced a new Section 23A to empower the Commissioner to establish an Electronic Tax System for issuing tax invoices and keeping records of stocks.</p> <p>The Act has further specified that the electronic tax invoices to be generated may exclude:</p> <ul style="list-style-type: none"> - Emoluments - Imports - Investment allowances - Interest - Airline passenger ticketing and similar payments. 	<p>Entities will therefore be obligated to issue invoices and maintain stock records in the said Electronic Tax Invoice system.</p> <p>We note that KRA has already rolled out the eTIMS platform, which will ensure that the tax invoicing system is standardized.</p> <p>On the other hand, this would mean that non-VAT registered taxpayers would also need to register for eTIMS to enable customers to claim expenses in their annual tax returns.</p> <p style="text-align: right;">(Eff: 1st September 2023)</p>
Relief because of doubt or difficulty in recovery of tax	Previously, the Commissioner could recommend abandonment of taxes where it was impossible, or there was undue difficulty or expense, or hardship or inequity in relation to recovery of the unpaid tax.	The Act has deleted this provision.	<p>This amendment would mean that there would be more pressure on the Commissioner to collect taxes even where it is deemed difficult or impossible to recover.</p> <p style="text-align: right;">(Eff: 1st July 2023)</p>

Tax Procedures Act

Provision	Previous Position	Amended Position	Impact / Comment
Tax Procedures Act:			
Tax Amnesty on tax debt	N/A	<p>The Commissioner shall now refrain from recovering penalties or interest on tax debt where a person had paid all the principal tax due before the 31st December, 2022.</p> <p>In the case of principal tax due but was not paid before 31st December, 2022, a person shall apply to the Commissioner for an amnesty of interest or penalties on the unpaid tax, and propose a payment plan for the outstanding amount, which should be not later than 30th June 2024.</p>	<p>We note that the Act has failed to specify what a ‘tax debt’ would entail, and therefore may cast uncertainty as to the specific tax liabilities that would fall under the ambit of tax debt.</p> <p>Additionally, there is no mention of whether tax debt arising from tax audits would qualify for such amnesty, which may cast a doubt as to whether taxpayers can take advantage of the amnesty in such cases.</p> <p>The move may also be considered as a way of clearing the backlog of waiver applications at KRA.</p> <p>(Eff: 1st September 2023)</p>
Waiver of Penalties and Interest	A taxpayer liable to penalty or interest could apply in writing to the Commissioner for the remission / waiver of the penalty or interest payable, including the reasons for the application. The Commissioner would waive the penalty and interest if satisfied with the reasons put forth.	The Act has repealed Sections 89 (6), (7) and (8) which governed the application for waivers.	<p>The removal of the waiver process would mean that taxpayers would have to be more vigilant on tax matters in order for them to avoid additional taxes levied through penalties and interest.</p> <p>(Eff: 1st July 2023)</p>

Tax Procedures Act

Provision	Previous Position	Amended Position	Impact / Comment
Tax Procedures Act:			
Power to collect taxes from a person owing money to a taxpayer	Previously, the Commissioner could only issue an agency notice when the taxpayer was issued with an Objection Decision and defaulted to appeal to the Tax Appeals Tribunal within the prescribed timelines.	<p>The Act has amended this provision by preventing the Commissioner from issuing agency notices unless:</p> <ul style="list-style-type: none"> - The taxpayer has defaulted in paying an instalment under Section 33(2) of the TPA; - The Commissioner has raised an assessment and the taxpayer has not objected to or challenged the validity of the assessment within the prescribed period; - The taxpayer has not appealed against an assessment specified in an objection decision within the prescribed timelines; - The taxpayer has made a self-assessment and submitted a return but has not paid the taxes due before the due date lapsed; or - The taxpayer has not appealed against an assessment specified in a decision of the Tribunal or Court. 	<p>The new provisions are aimed at protecting KRA from taxpayers who delay payment of taxes that are not in dispute.</p> <p style="text-align: right;">(Eff: 1st July 2023)</p>

Tax Procedures Act

Provision	Previous Position	Amended Position	Impact / Comment
Tax Procedures Act:			
Appointment of Rental Income Tax Agents	Previously, the provision for appointment of rental income tax agents was only contained in the ITA under Section 35 (3) (j).	The Act has introduced a new Section 42C that enables the Commissioner to appoint such agents.	This will assist KRA in efficiency of collection of rental taxes. <i>(Eff: 1st July 2023)</i>
Offset of overpaid taxes	Previously, the Act only specified that, in the case of a refund, the Commissioner was empowered to offset overpaid taxes against a taxpayer's future liabilities.	The Act has amended this position to empower the Commissioner to offset both outstanding and future tax liabilities in the case of a refund of overpaid tax.	This is a welcome move as it will enable taxpayers to settle or offset both previous and future tax liabilities using the overpaid tax credits. <i>(Eff: 1st July 2023)</i>
Withholding VAT	Exemption from Withholding-VAT was extended, by the Finance Act of 2022, to payments made to registered manufacturers whose value of investment in the preceding 3 years from the commencement of the TPA Act was at least KShs. 3 Billion.	The Act has amended this position by substituting the date from "Commencement" of the TPA Act to "1 st July 2022".	This is to provide clarity on the date to consider by appointed Withholding-VAT agents when determining the entities to be exempted from withholding VAT. <i>(Eff: 1st July 2023)</i>
	The due date for remittance of Withholding VAT was the twentieth day of the following month in which the deduction was made.	The due date is amended to "within Five working days".	This provides clarity on the tax point of the Withholding VAT liability. <i>(Eff: 1st July 2023)</i>

Tax Procedures Act

Provision	Previous Position	Amended Position	Impact / Comment
Tax Procedures Act:			
Extension of time to settle tax disputes out of court or Tribunal	Previously, the time limit for resolving tax disputes outside of court or the Tribunal was 90 days	The Act has amended the duration from 90 days to 120 days.	This is a welcome move as it allows more time for parties in dispute to resolve their cases out of Court / Tribunal. <i>(Eff: 1st July 2023)</i>
Data management and reporting system	The provision was not included in the TPA Act.	The Act has introduced a new Section 59A which provides for the establishment of a data management and reporting system for the submission of electronic documents relating to transactional data from persons selected and notified by the Commissioner. The data include the names and addresses of each person to whom a payment was made, payments made in the ordinary course of business, lump sum payments in respect of a royalty or such other commercial or financial transaction as may be designated by the Commissioner.	The provision will allow KRA to setup a data management system that would allow the Commissioner to keep track of transactions, and to subsequently minimize tax leakages from non-compliant taxpayers. <i>(Eff: 1st September 2023)</i>
Offences relating to impersonating an authorized officer	The provision was not previously included in the TPA Act.	The Act has imposed imprisonment for a term not exceeding 3 years to a person convicted of an offence of impersonating an authorized officer.	This is aimed at protecting the general public from dealings with individuals who may not be legitimate KRA officers. <i>(Eff: 1st September 2023)</i>

Tax Procedures Act

Provision	Previous Position	Amended Position	Impact / Comment
Tax Procedures Act:			
Notice of objection	The Commissioner was previously only mandated to notify the taxpayer within 14 days of an objection that has not been validly lodged.	<p>The Act has amended this position by empowering the Commissioner to request the taxpayer to submit the information specified in the notice within 7 days after the date of the notice.</p> <p>Additionally, the Act further states that where a taxpayer fails to provide the required information within the specified period, the Commissioner may make an objection decision within sixty days after the date on which the notice of objection was lodged.</p>	<p>The amendment will allow a taxpayer to provide additional documentation in cases where an objection application is invalidated due to insufficient documentation.</p> <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>
Penalty for failing to comply with Electronic Tax System	The penalty for a taxpayer who failed to submit a tax return or pay tax in an electronic form, and failed to give satisfactory reasons for the failure was KShs. 100,000	The Act has amended this position, where in the case of a taxpayer who does not comply with the provisions of an electronic tax system fails to give satisfactory reasons to the Commissioner for the non-compliance, the taxpayer shall be liable to a penalty of two times the tax due.	<p>This will ensure that taxpayers remain compliant with the provisions governing the use of the electronic tax invoice management system (eTIMS).</p> <p style="text-align: right;"><i>(Eff: 1st September 2023)</i></p>

Tax Procedures Act

Provision	Previous Position	Amended Position	Impact / Comment
Tax Procedures Act:			
Record keeping by Trustees	Not included in the TPA Act.	The Act has introduced a new subsection under Section 23, requiring a trustee resident in Kenya to maintain and avail tax records for trusts that are registered in Kenya or outside Kenya whether the trust income is generated in Kenya or not	This would enhance accountability among Trustees, signaling an increased level of scrutiny for persons associated with Trusts in Kenya. <i>(Eff: 1st July 2023)</i>

Income Tax Act

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Excise Duty Act

Other Tax Provisions



Excise Duty Act

Provision	Previous Position	Amended Position	Impact / Comment
Excise Duty Act:			
Annual Inflationary Adjustment	Previously, the Commissioner was authorized to adjust specific Excise duty rates to account for Inflation.	The Act has repealed Section 10 of the EDA, meaning there will be no inflation adjustment done by the Commissioner.	This is meant to provide a cushion against shocks associated with price increase of excisable goods. <i>(Eff: 1st July 2023)</i>
Requirement to remit Excise Duty within 24 hours	Previously, Excise Duty was payable on or before the 20 th day of the following month.	The Act has introduced the following new provision: <ol style="list-style-type: none"> 1) Excise duty on betting and gaming, offered through a platform or other medium, shall be remitted to the Commissioner by a bookmaker within 24 hours from the closure of transactions of the day. 2) For the purposes of this section, "closure of transactions of the day" means midnight of that day. 3) The Commissioner may, by notice in the Gazette, require taxpayers in any sector to remit excise duty collected on certain excisable services within 24 hours from the closure of transactions of the day. 	This will reduce the timelines with which KRA receive duty on the specified commodities. KRA would also take advantage of the efficiency of the systems employed by betting and gaming firms in order to enhance their revenue collection efforts. <i>(Eff: 1st July 2023)</i>

Excise Duty Act

Provision	Previous Position	Amended Position	Impact / Comment
Excise Duty Act (cont'd):			
Suspension of an Excise License	Previously, there were no specific timelines within which a taxpayer could rectify their records before their license could be revoked.	The Act has introduced a timeline of 'not less than fourteen days' before their licenses are revoked.	This will provide clarity on the timelines for revocation of a license. <i>(Eff: 1st July 2023)</i>
Offences relating to Excise Stamps	Previously, there were no specific provisions relating to the offences relating to excise stamps. However, the Act did specify that contravention of provisions relating to excise stamps was an offence.	The Act has introduced a new subsection that specifies the offences relating to stamp duty. A person who: a) defaces or prints over an excise stamp affixed on any excisable goods or package; b) knowingly is in possession of excisable goods on which excise stamps have not been affixed and which have not been exempted from the requirements of this Act or Regulations made under this Act; c) acquires or attempts to acquire an excise stamp without the authority of the Commissioner; d) prints, counterfeits, makes or in any way creates an excise stamp without the authority of the Commissioner;	This will ensure that taxpayers remain compliant with the provisions relating to stamp duty as it clearly outlines the instances where their actions may be regarded as an offence. <i>(Eff: 1st July 2023)</i>

Excise Duty Act

Provision	Previous Position	Amended Position	Impact / Comment
Excise Duty Act (cont'd):			
Offences relating to Excise Stamps (cont'd)		<p>e) knowingly is in possession of an excise stamp which has been printed, made or in any way acquired without the authority of the Commissioner;</p> <p>f) knowingly is in possession of, conveys, distributes, sells, offers for sale or trades in excisable goods without affixing excise stamps in accordance with this Act or Regulations made under this Act; or</p> <p>g) is in possession of, conveys, distributes, sells, or trades in excisable goods which have been affixed with counterfeit excise stamps,</p> <p>commits an offence and shall be liable, upon conviction, to a fine not exceeding KShs. 5 Million or imprisonment for a term not exceeding 3 years, or to both.</p>	(Eff: 1 st July 2023)
Due date for Excise Duty payment by licensed manufacturers of Alcoholic Beverages	Previously, Excise Duty was payable on or before the 20 th day of the following month in which goods are removed from the manufacturer's factory	The Act has amended this position by requiring licensed manufacturers of alcoholic beverages to remit Excise Duty within 24 hours upon removal of the goods from the stockroom.	This will reduce the timelines within which duty is paid to the KRA. (Eff: 1 st July 2023)

Excise Duty Act

Provision	Previous Position	Amended Position	Impact / Comment
Excise Duty Act (cont'd):			
Definition of amount wagered or staked expanded	Previously duty on amount wagered only affected entities in the betting sector.	The Act has amended this position to include both 'betting' and 'gaming' in the ambit of amounts chargeable to Excise Duty.	This will widen the scope of the amounts chargeable to Excise Duty. <i>(Eff: 1st July 2023)</i>
Excise Duty changes on certain products	Telephone and internet data services 20%	15%	The reduction in duty is a welcome move as it will reduce the cost of acquiring mobile telephony and related services. <i>(Eff: 1st July 2023)</i>
	Fees charged for money transfer services by banks, money transfer agencies and other financial service providers 20%	15%	
	Condensates per 10001@ 20degC KShs. 6,225	No Duty chargeable	This is aimed at reducing the cost of acquiring the supplies. <i>(Eff: 1st July 2023)</i>
	Disassembled or unassembled kits for local assembly or manufacture mobile phones 10%	No Duty chargeable	
	Imported Glass bottles (excluding imported glass bottles for packaging of pharmaceutical products)	35%	

Excise Duty Act

Provision	Previous Position	Amended Position	Impact / Comment
Excise Duty Act (cont'd):			
Excise Duty changes on certain products (cont'd)	Imported Alkyd	20%	This is a move by the Government to increase their revenue by imposing duty on the specified supplies. <i>(Eff: 1st July 2023)</i>
	Excise duty on the amount paid/charged to participate in a prize competition	12.5%	
	Excise duty on the amount paid/charged to buy the lottery ticket (excluding charitable lotteries)	12.5%	
	Imported Unsaturated polyester	20%	
	Imported Emulsion VAM	20%	
	Imported Emulsion - styrene acrylic	20%	
	Imported Homopolymers	20%	
	Imported Emulsion B.A.M	20%	
	Excise duty on betting (on the amount wagered or staked)	12.5%	
	Excise duty on gaming (on the amount wagered or staked)	12.5%	
Introduction of Excise Duty on certain products	Fees charged on advertisement on television, print media, billboards and radio stations on alcoholic beverages, betting, gaming, lotteries and prize competitions	15%	This is a move by the Government to increase their revenue by imposing duty on the specified supplies. <i>(Eff: 1st July 2023)</i>
	Imported non-virgin fluting medium of heading 4805.19.00	25%	

Excise Duty Act

Provision	Previous Position	Amended Position	Impact / Comment
Excise Duty Act (cont'd):			
Introduction of Excise Duty on certain products (cont'd)	Imported sugar excluding imported sugar by a registered pharmaceutical manufacturer	KShs. 5 per kilogramme	The move will boost revenue collection by the Government. (Eff: 1st July 2023)
	Imported cement	10% of the value or KShs. 1.50 per kilogramme, whichever is higher	
	Imported paints, varnishes and lacquers of heading 3208, 3209 and 3210	15%	
	Imported non-virgin Test liner of heading 4805.24.00	25%	
	Imported furniture of Tariff heading 9403 excluding furniture originating from East African Community Partner States that meet the EAC Rules of Origin	30%	
	Imported fish	10%	
	Imported paints, varnishes and lacquers of heading 3208, 3209 and 3210	15%	
	Imported paper or paper board, labels of all kinds whether or not printed of tariff heading 4821.10.00 and 4821.90.00	25%	
	Imported plates of plastic of tariff heading 3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90	25%	

Excise Duty Act

Provision	Previous Position	Amended Position	Impact / Comment
Excise Duty Act (cont'd):			
Introduction of Excise Duty on certain products (cont'd)	Powdered juice	KShs. 25 per kilogramme	This is a move by the Government to increase their revenue by imposing duty on the specified supplies. (Eff: 1st July 2023)
	Imported furniture of Tariff heading 9403 excluding furniture originating from East African Community Partner States that meet the EAC Rules of Origin	30%	
	Imported non-virgin Test liner of heading 4805.24.00	25%	
	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 skillets, free-hinge lid packets of tariff heading 4819.10.00, 4819.20.10 and 4819.20.90	25%	
	Excise duty on fees charged for money transfer services by cellular phone service providers or payment service providers licensed under the National Payment System Act, 2011	15%	
	Fees charged by payment service providers licensed under the National Payment Systems Act, 2011 (other than cellular phone service providers)	15%	

Income Tax Act

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Other Tax Provisions



Other Tax Provisions

Provision	Previous Position	Amended Position	Impact / Comment
Other Tax Provisions :			
Employment Act, 2007			
Affordable Housing Levy	N/A	<p>The Act has introduced a new Section 31B, where a monthly levy known as the “Affordable Housing Levy” will be deducted by both employees and employers and remitted at the rate of 1.5% of the employee’s gross salary.</p> <p>The tax will be remitted by the employer within 9 working days after the end of the month in which the payments are due.</p> <p>Employers who fail to comply with this provision shall be charged a penalty of 2% of the unpaid amount, for every month the amounts remain unpaid.</p>	<p>The Housing Levy has no cap (upper limit) to its applicability, which was included as one of the initial proposals in the Finance Bill.</p> <p>The effective date is 1st July 2023, which means that entities that had already disbursed salaries without effecting the Housing Levy deduction will be required to recalculate their payroll liabilities and remit the levy.</p> <p>This will further burden employers and employees.</p> <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>
Tax Appeals Tribunal Act			
Appealable decision	Previously, the Act required an Appellant to submit papers to the Tribunal against a “tax decision”	<p>The Act has amended this position by requiring the Appellant to submit papers to the Tribunal against an “appealable decision”. The definition of an “appealable decision” will be similar to the one defined in the TPA Act.</p>	<p>This is aimed at aligning the TAT Act provisions with those stipulated in the Tax Procedures Act, 2015.</p> <p style="text-align: right;"><i>(Eff: 1st July 2023)</i></p>

Other Tax Provisions

Provision	Previous Position	Amended Position	Impact / Comment
Other Tax Provisions :			
Miscellaneous Fees and Levies Act, 2016			
Reduction of Import Declaration Fee rate	The previous rate was 3.5% of Customs value	The new rate is 2.5% of Customs value	This will reduce importation costs. <i>(Eff: 1st July 2023)</i>
Removal of Preferential IDF rate	Previously, the Import Declaration Fee (IDF) was charged at a reduced rate of 1.5% for: <ul style="list-style-type: none"> - Raw materials and intermediate products imported by manufacturers; and - Inputs for the construction of houses under an Affordable Housing Scheme. 	The Act has removed this preferential rate, and shall now be charged at the normal rate of 2.5%	This move may result in increase in the price of manufactured products. <i>(Eff: 1st July 2023)</i>
Reduction of Railway Development Levy	The previous rate was 2% of Customs value	The new rate is 1.5% of Customs value	The rate is effective from the month of July. <i>(Eff: 1st July 2023)</i>
Removal of Preferential Railway Development Levy rate	Previously, the Railway Development Levy (RDL) was charged at a reduced rate of 1.5% for: <ul style="list-style-type: none"> - Raw materials and intermediate products imported by manufacturers; and - Inputs for the construction of houses under an Affordable Housing Scheme. 	The Act has removed this preferential rate, and shall now be charged at the normal rate of 1.5%	We note that this is a move to align with the newly amended rate of 1.5% since the rate will have no actual change that would benefit the specified entities. <i>(Eff: 1st July 2023)</i>

Other Tax Provisions

Provision	Previous Position	Amended Position	Impact / Comment
Other Tax Provisions :			
Special Economic Zones Act			
Definition and designation of a Special Economic Zone (SEZ)	Previously, the definition of a Special Economic Zone did not include customs controlled and non-customs controlled areas.	The definition now includes both a customs controlled area and non-customs controlled area as part of a Special Economic Zone (SEZ).	This will encourage more entities to invest in SEZs. <i>(Eff: 1st July 2023)</i>
Goods considered to be exported and imported into a Special Economic Zone customs territory	Previously not included in the Special Economic Zones Act.	Goods whose content originates from the SEZ customs territory will be exempt from import duty when the goods are imported by a person outside the customs territory. For goods whose content partially originates from the SEZ territory the importer will pay import duty only on the non-originating component.	This provides clarity on the transactions that would qualify for exemption from Import Duty with regard to Special Economic Zones. <i>(Eff: 1st July 2023)</i>
Export Processing Zones Act			
Goods considered to be exported and imported into an Export Processing Zone customs territory	Previously not included in the Export Processing Zones Act.	Goods whose content originates from the EPZ customs territory will be exempt from import duty when the goods are imported by a person outside the customs territory. For goods whose content partially originates from the EPZ territory the importer will pay import duty only on the non-originating component.	This provides clarity on the transactions that would qualify for exemption from Import Duty with regard to Export Processing Zones. <i>(Eff: 1st July 2023)</i>

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