

## يرتقصان كارك چھے *Cut Throat Competition*



Risk توليو پڑھے ، Calculated Risk هوئي ، Over Trading نر هوئي ،  
 كوئي Overnight Millionaire بنواني كوشش نر كرے ، نر اميد نر تھائي ،  
 خدا نا خزانر ما كمي نتهي ، خدا تمارا ويا سر روزگار ما بركة ايجو ، باوا جي  
 صاحب ني تمارا پر ميٹھي نظر هتي ، اج ميں بهي تمنے ير نظر سي ديكهونر  
 چھونر .

(الداعي الاجل سيدنا محمد برهان الدين رحمہ)  
 ضيافة الشكر لبلاد سيدھي ۲۷ ۱۴ھ



## MAJOR ISSUES IN FINANCE BILL 2024 & THE PAIN POINTS

Stakeholders have raised major contentious issues in the Financial Bill 2024, that are likely to make life more difficult for Kenyans if the proposed legislation is passed in its current form. Set out below are the key proposed changes:



### 1. The Income Tax Act:

- **Motor Vehicle Tax** – To introduce a tax known as MVT@ 2.5% of the value of the vehicle to be payable at the time of issuance of insurance cover.
- **Withholding Tax on goods sold to Public Entities** – To introduce WT on goods supplied to public entities by both resident and non-resident persons without a permanent establishment @ 3% of the amount paid to a resident person and 5% to a non-resident person.
- **Taxation of income from Operation of Digital Marketplace or Platform and Digital Content Monetization** – To tax the income of a resident or non-resident person who owns or operates a DM or P, makes or facilitates payment in respect of DCM, goods, property or services @20% for non-residents and 5% for residents
- **Repeal of provisions on Digital Service Tax and introduction of Significant Economic Presence Tax** – To repeal provisions on DST and introduce SEP tax @ 30% of the deemed taxable profit. The tax will be payable by a non-resident person whose income from the provision of services is derived from or accrued in Kenya through a business carried on over a DM.
- **Contributions to certain medical funds and the affordable Housing Levy to be tax deductible expenses** – Contributions to the Social Health Insurance Fund, post-retirement medical fund and the affordable housing levy will be deductible expenses in computing the taxable income of a contributor.
- **Investment deduction on capital expenditure incurred on the purchase of spectrum licence** – To introduce an Investment Deduction Claim on capital expenditure incurred on the purchase of spectrum licence by a telecommunication operator @ 10% in equal instalments.
- **Taxation of family trusts** – Subject the income of a registered family trust to tax.



"Try not to become a person of success,  
but rather try to become a person of value."

## 2. The Value-Added Tax:

- **Deletion of VAT Exemption on certain financial services** – on Issuing of credit and debit cards; Telegraphic money transfer services; Foreign exchange transactions; Cheque handling, processing, clearing and cancellation; Issuance of securities for money, including bills of exchange, promissory notes, money and postal orders; the assignment of a debt for consideration; and the provision of financial services on behalf of another on a commission basis.
- **Increase of VAT Registration Threshold** – To increase the threshold for mandatory VAT registration from KES 5,000,000 to KES 8,000,000;
- **Exemption of transfer of business as a going concern from VAT** – To make the transfer of business as a going concern exempt from VAT;
- **Exemption of insurance and reinsurance premiums from VAT** – To limit the VAT exemption on insurance and reinsurance services to insurance and reinsurance premiums.
- **Scrapping of certain VAT exemptions in the tourism sector:**
  - Taxable goods for direct and exclusive use for the construction of tourism facilities, recreational parks of 50 acres or more, convention and conference facilities;
  - Specially designed locally assembled motor vehicles for transportation of tourists;
- **Scrapping of VAT exemptions in the manufacturing and construction sectors:**
  - 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;
  - Plant, machinery and equipment used in the construction of a plastics recycling plant;
  - Taxable goods for the direct and exclusive use in the construction and equipping of specialized hospitals with a minimum bed capacity of 50, approved by the Cabinet Secretary.
  - Taxable services for direct and exclusive use for the construction of specialized hospitals with accommodation facilities upon recommendation by the Cabinet Secretary responsible for health.

## 3. The Excise Duty Act:

- **Introduction of Excise Duty on services offered in Kenya by a non-resident through a Digital Platform** – To introduce excise duty on excisable services offered in Kenya by a non-resident through a DP @ 20% and would apply to the following services:
  - Telephone and internet data services;
  - Fees charged for money transfer services by banks, money transfer agencies, and other financial service providers;
- **Increase of Excise Duty on money transfer services** - To increase excise duty from 15% to 20% on fees charged for money transfer services offered by (a) banks, money transfer agencies and other financial service providers and (b) cellular phone service providers or payment service providers;

## 4. The Tax Procedures Act:

- **Increase of timeframe for issuance of objection decisions by the KRA** – To increase the timeframe for issue of objection decisions by the KRA from 60 days to 90 days;
- **Weekends and public holidays to be excluded when determining statutory timelines under tax laws** – To change the manner in which time is computed under tax laws for purposes of among others lodging of tax returns, payment of taxes and submission of documents by excluding weekends and public holidays.
- **KRA empowered to direct taxpayers to integrate their systems with the KRA's system** – To empower KRA to issue a notice requiring a person to integrate his/her system with the KRA's system to enable the real-time submission of documents to the KRA.

## KENYAN FISCAL HIGHLIGHTS

Kenya Association of Manufacturers (KAM) voices concerns over proposed tax increase. The government's decision to increase excise taxes, describing it as myopic. The cost of doing business will go up by 20% to 30%, affecting exports." "If the production engines are not running at optimal speed, the country will not create jobs and revenue. KAM executives argued the proposed tax increments would cause players in the manufacturing sector to either close shop or move to neighbouring countries.

European Investment Bank EIB has invested Kshs 3.5 bn (Euros 25 million) in pan-African fund providing private equity growth capital to medium-sized firms in Africa. Amethis Fund III will target companies supplying goods and services to low and middle-income population. Target sectors include healthcare, logistics, IT, agribusiness and Fast moving consumer goods.

Analysts from pan-African market are projecting Kenya Shs to hit 138 to a US Dollar, by end of June, depreciating slightly from Kshs 133 which was at the end of May 2024.



It also predicts Kenya's inflation rate to be between 3.59% and 5.44%. The movements of the currency hint at an upward revision of energy prices (petrol, diesel, kerosene and electricity costs) that declined in May.

## NEXT-DOOR NEWSFLASH

Tanzania has now become India's second largest trading partner in Africa as the bilateral trade soared by 22% in the current financial year. The bilateral trade increased from \$ 6.48 billion last year to \$ 7.9 billion by end of May 2024. It has replaced Nigeria which was holding the second position, preceded by South-Africa which is the largest African trading partner with India.



Ethiopia sees rise in Foreign Direct Investment – attracting 3 billion dollars during the first 10 months of the current fiscal year.

Although contributions come from diverse sources, China remains the leading investor, responsible for nearly half of all incoming projects. The investment has created 75,000 jobs and is currently leading Eastern Africa in FDI inflow. The government assures incentives, infrastructure upgrades and a reliable energy supply to investors.

Rwanda's economy has tremendously recovered over the last two decades. Its GDP has risen from \$752 million in 1994 to \$9.5 billion in 2018, and per capita has grown from \$125.5 to \$787 during the same period. The growth has led to one million people being lifted out of poverty (between 2000 and 2017.) and Inflation has fallen from 101% in 1995 to 1.1% in 2018.



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