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Kenya Budget Highlights and Quick Tax Guide 2015

Diving deep

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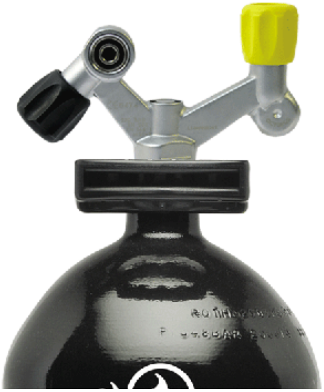
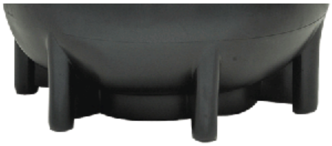


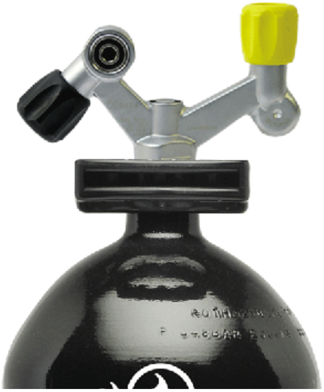


Preamble

Our publication incorporates changes based on the 2015 Budget speech. It also includes references to changes in the practice of the Kenya Revenue Authority where they are significant. Some changes may arise when the Finance Bill 2015 and subsequently the Finance Act 2015 are published.

This publication constitutes only a brief guide and is not intended to be a comprehensive summary of the tax law and practice. While all reasonable care has been taken in the preparation of this guide, Deloitte and its associates accept no responsibility for any errors it may contain, whether caused by negligence or otherwise, or for any loss, however caused, or sustained by any person that relies on it.

June 2015



Budget highlights

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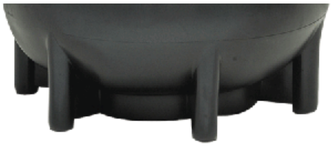


Tax provisions

Corporate Tax

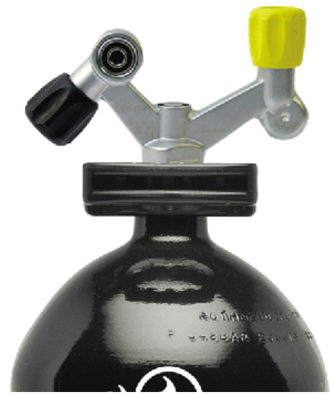
- Tax rebate scheme to be introduced for employers who engage and train at least ten fresh graduates for a period of six to twelve months.
- Taxation regime for landlords owning residential property to be simplified by taxing gross rental income at 12% in respect of gross rental income below KShs 10 million per year.
- Tax amnesty announced for landlords who have not fully declared rent or are outside the tax net. Landlords with tax arrears are advised to prepare to engage the Kenya Revenue Authority (KRA) to bring their tax status up to date.
- Proposal to re-introduce a simplified gaming tax, which shall be a direct charge on the gross gaming revenue.
- Public lotteries to be taxed at 5 percent of the lottery turnover and bookmakers shall be taxed at 7.5 percent (previously 20%) of the gross betting revenues.
- Tax Procedures Bill to be introduced which will contain uniform procedures across the three tax legislations - Value Added Tax, Excise Duty and Income Tax.
- Review and modernization of the Income Tax Act, expected to be complete by end of September 2015.
- The tonnage of ships qualifying for investment deduction has been reduced from 495 tons to 125 tons. The rate of the investment deduction has been increased from 40% to 100%.
- The period for carrying forward tax losses now extended to ten years from the current 5 years. Taxpayers with huge capital investment had faced a risk of losing the benefit due to the short period of loss utilisation.
- Producers in film industry set to benefit from rebates once a relevant fund is established in the near future.
- The Cabinet Secretary proposes to exempt asset transfers and other transactions related to the transfer of assets into Real Estate Investment Trusts (REITs) and Asset Backed Securities (ABS) from stamp duty.

Capital Gains Tax

- 5% capital gains tax (CGT) on sale of quoted shares abolished and replaced with withholding tax at the rate of 0.3% on the transaction value of the shares. Shares traded outside NSE and property are expected to continue attracting CGT at 5%.

Withholding Tax

- All payments made by film producers to foreign actors and crew members now exempt from withholding tax.
- All prize competition whose costs of entry are premium shall be taxable at 15% of the total gross revenue.
- Technology providers to be appointed as withholding agents for purposes of remitting the 15% withholding tax on prizes into a Fund to be set up.
- Withholding tax on training and contractual fees paid by Petroleum and Mining sector players harmonized and set at 12.5% and 5.625% respectively.



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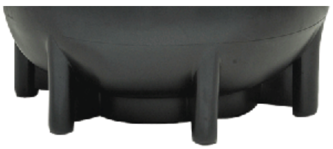
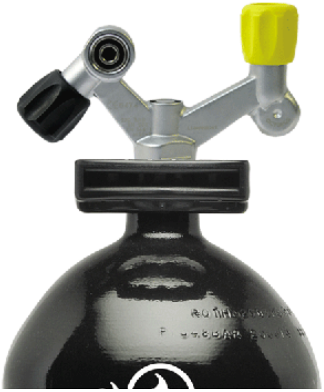


Value Added Tax

- Services in respect of goods in transit will now be zero-rated for VAT purposes. The Finance Act 2014 had previously exempted these services.
- The Cabinet Secretary has now clarified the timeframe for lodging the VAT Refund Claims to be within 12 months from the date the tax became due and payable. The 2013 VAT Act was silent on this which caused uncertainty over the period within which a taxpayer could lodge a refund claim.
- Goods and services purchased for use in film making have now been exempted from VAT.
- Plastic bag biogas digesters for use in biogas energy have been exempted.
- Taxable goods and services for use in the construction of infrastructure works in industrial and recreational parks of 100 acres or more have been exempted from VAT.
- Inputs imported or purchased locally for the assembly of electronic devices which includes school laptops or tablets will be exempted from VAT.
- The Cabinet Secretary has proposed an amendment to allow returning residents who have owned left hand drive vehicles for at least twelve months to sell them and import VAT free right hand motor vehicles of equivalent value and specifications subject to specified conditions.

Customs Duties

- Full operationalization of the single window system for use by all importers, exporters and other stakeholders.
- Introduction of duty remission on nylon yarn and synthetic twine used for manufacture of fishing nets at 0% instead of 10%.
- Import duty on made up fishing nets increased from 10% to 25%.
- Specific import duty rate on sugar increased from USD 200 to USD 460 per metric tonne.
- Withdrawal of stay of application of the EAC Common External Tariff (CET) on paper and paperboard and import duty to be charged at the CET rate of 10%.
- Export duty on raw hides and skins to be harmonized by the EAC Partner States at 80% of FOB value or USD 0.52 per kg whichever is higher.
- Increase of import duty on plastic tubes used for packaging toothpaste and cosmetics from 10% to 25%.
- Introduction of duty remission on semolina used for manufacture of pasta at 0% from 25%.
- Reduction of import duty on aluminium milk cans from 25% to 10%.
- Removal of gas cylinders from the exemption regime and subsequent reduction of the import duty rate from 25% to 0%. Kenya to stay the application of the CET rate of 0% on gas cylinders and apply 25%.
- Introduction of a Miscellaneous Fee and Charges Bill to cater for Railway Development Levy (RDL), Import Declaration Fees (IDF) and other levies currently covered under the yet to be repealed Customs and Excise Act Cap 472.
- Reduction of Import Declaration Fees from 2.25% to 2%.
- Goods, materials, equipment and other supplies for official use by the prison authorities exempted under the Fifth Schedule of the EAC Customs Management Act.



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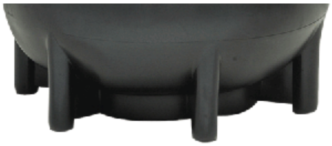


- Returning residents with left hand vehicles that they have owned and used for at least 12 months allowed to sell the vehicle and import duty free a right hand vehicle of equivalent value and similar make.

Excise Duties

- Introduction of a stand-alone excise duty bill.
- Various changes have been proposed in the new excise duty bill and include the following:
  - CS National Treasury given powers to grant remission of excise duty on beer or wine brewed from agricultural products grown in Kenya except barley.
  - Excise duty to be based on units of quantity only.
  - Excise duty to be charged on all classes of fossil fuels.
  - Marginal increase in excise duty rate on alcoholic beverages.
  - Excise duty on cigarettes to be charged at a specific rate rather than a hybrid rate.
  - Excise duty on motor vehicles and motor cycles to be charged based on classes of age.
  - Removal of excise duty on bottled water.
  - Excise duty on non-biodegradable plastic to be charged at KES 120 per kg.
  - Removal of excise duty on all excisable goods currently listed in the 5th Schedule to the Customs & Excise Act that have no harmful effects.

Motor taxes

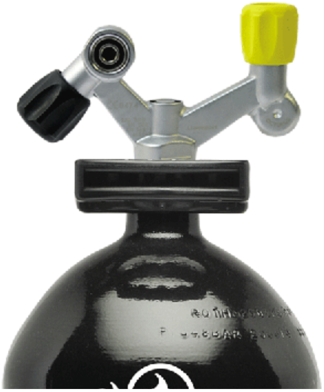
- Road maintenance levy increased by KES 3 per litre.

Energy

- Bold measures to increase electricity connectivity. Kshs 13 Billion has been allocated to continue harnessing the potential presented by geothermal power.
- There is further investment in power transmission and rural electrification supplemented by the move to reduce the power connection charges.
- No major changes proposed with respect to the taxation of upstream petroleum operations unlike last year. There have only been minor changes aligning the present withholding tax rates to certain services provided to upstream oil and gas companies.

Infrastructure

- Substantial investments to improve infrastructure to be made in several areas. To facilitate the completion of the standard Gauge Railway, the following allocations have been made:
  - KES 118.2 billion for SGR financed by a loan from China; and
  - KES 25.7 billion to be funded by the Railway Development Levy Fund.
- Government still on course to generate 5,000MW by 2017 and KES 13.2 billion allocated to Geothermal Power Development.



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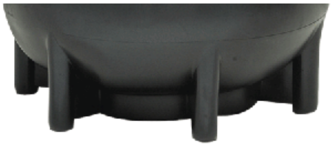


- To further enhance access to electricity to create economic growth, the following allocations were proposed:
  - KES 21.1 billion for power transmission;
  - KES 14.9 billion for the Rural Electrification Program;
  - KES 4.5 billion for street lighting; and
  - KES 1.5 billion for the last mile connectivity.
- Modernization and expansion of port of Mombasa at Kilindini including construction of three berths in Lamu to continue.
- The Government will continue to expand the road network to enhance productivity and competitiveness of the economy. To achieve this, the following allocations have been made:
  - KES 58.5 billion for ongoing road construction;
  - KES 26.7 billion for road maintenance;
  - KES 42 billion for foreign financed roads; and
  - KES 5.0 billion for the Road Annuity Programme.
- The Government will continue to use the PPP model to accelerate infrastructure development.

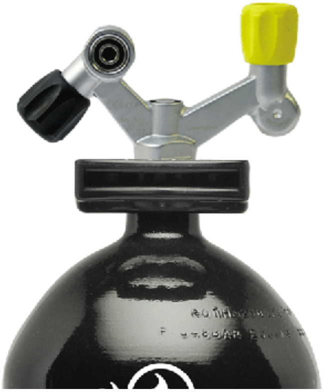
Equity, Poverty Reduction and Social Protection for Vulnerable Groups

- The following significant allocations have been set aside by the Government to empower vulnerable members of society:
  - KES 2.1 billion for Affirmative Action, Social Development Fund;
  - KES 9.0 billion for orphans and vulnerable children;
  - KES 7.4 billion for elderly persons;
  - KES 1.2 billion for those with extreme disability;
  - KES 2.2 billion for Resettling the IDPs;
  - KES 1.3 billion for hunger safety net;
  - KES 1.3 billion for slum upgrading; and
  - KES 1.0 billion seed capital for the National Fund for Restorative Justice.

Transfer payments to beneficiaries shall be moved to a digital platform which in turn should improve transparency, accountability and reduce costs.

Agriculture and environmental conservation

- Value addition has been said to have the potential to act as a catalyst for Kenya's industrial take-off.
- There is continued investment in irrigated agriculture, partly to build resilience in the economy and assure food security for the people throughout the year.
- There is notable progress in the implementation of various irrigation schemes initiated throughout the country such as the Galana-Kulalu Irrigation Project. Allocations to fast-track the implementation of various projects is as follows:
  - KES 13.8 billion, comprising of KES 10.3 billion for the National Irrigation Board (NIB) and KES 3.5 billion for the Galana Irrigation Project.
- Towards water supply and flood control measures as well as harvesting of rain water, the following allocations have been made:
  - KES 29.5 billion for water supply and sanitation;



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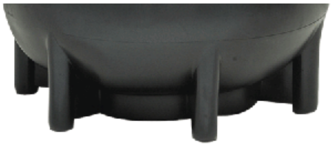


    - KES 2.1 billion for water storage and flood control; and
    - KES 12.6 billion for environmental protection conservation and management.
- With regards to food security and lowering food prices and for the provision of employment opportunities for the youth:
    - KES 3.0 billion for inputs subsidy;
    - KES 2.7 billion for the Strategic Grain Reserves;
    - KES 3.1 billion for fisheries development; and
    - KES 0.6 billion for the revival of the Kenya Meat Commission.

Telecommunications and technology

- The Government expressed commitment to investing resources and providing a conducive environment for the ICT sector to flourish. The allocations made were:
    - KES 1.9 billion for the continued roll out of IFMIS;
    - KES 0.8 billion for Konza Techno City; and
    - KES 0.25 billion for Digital Talent.
- Use of ICT remains a key priority to the Government to enhance Primary School Education. Based on this, to encourage investments in local assembling of the electronic devices, it was proposed that inputs imported or purchased locally for the assembly of these devises be exempted from VAT.
- The Government also allocated KES 17.58 billion to deployment of ICT initiatives under education.

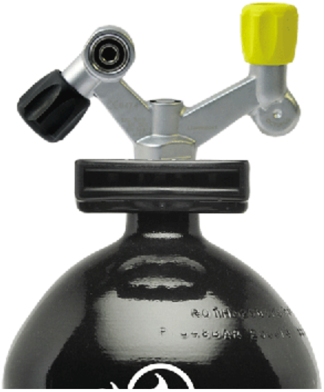
Capital Markets

- Asset transfers and other transactions related to the transfer of assets into Real Estate Investment Trusts (REITs) and Asset Backed Securities (ABS) to be exempt from stamp duty.
- Introduction of M-Akiba bond will allow Kenyans to purchase Government securities from their mobile phones with a minimum investment of KES 3,000 only.
- Extension of SASRA powers to vet directors and key officer of Saccos. Current information shared across the Sacco to be extended to other financial institutions and to include positive information.
- Amendments to the Proceeds of Crime and Anti-Money Laundering Act to strengthen the role of Financial Reporting Centre and clarify its objectives.
- Initiative to be drafted to encourage Kenyans holding wealth outside the country to invest locally.

Financial sector

Banking

- Increase in the minimum core capital requirements for banks, progressively from KES 1 billion to KES 5 billion by December 2018.
- Removal of requirements for annual licensing of banks and implementation of a non-renewable perpetual licence which CBK can withdraw if necessary.
- All banks will be required to use the KBRR as a basis for pricing credit.



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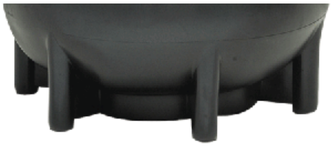


Insurance

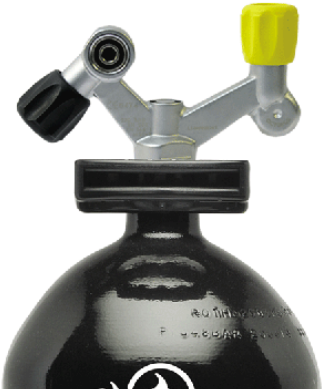
- Increase in the minimum core capital requirements for insurance companies, to KES 600 million for companies underwriting general insurance and KES 400 million for long term insurance business by June 2018.
- Introduction of risk based capital requirements pegged on the risk profile of each insurance company.
- Introduction of a principle based investment framework which will require companies to submit investment policies subject to broad prescribed investment guidelines.
- Removal of oppressive requirements for insurance agents implemented by insurance companies and allow licences to be granted as long as agents can meet COP requirements.

Retirement Benefits

- Introduction of new guidelines to allow for investment of up to 10% in private equity and venture capital funds. However, in all classes of assets excluding Government securities, a maximum limit of 15% of assets and per issuer limit of 15% of issue to mitigate potential risks.
- Limits on the maximum term that trustees can serve retirement benefit schemes to a maximum of two year terms.

Security

- Allocations to the security organs in the FY 2015/16 is KES 223.9 billion which is KES 27.1 billion higher than the previous year. Out of this:
    - KES 112. 5 billion goes to Defence and NIS; and
    - KES 102.4 billion goes to the State Department of Interior.
- The resources allocated to enhance the capacity of security forces to combat crime are as follows:
    - KES 7.7 billion for lease financing of Police/Prisons motor vehicles bringing the total number of police vehicles under the leasing programme to 3,200 since the time it was started two years ago;
    - KES 15.0 billion for military modernization;
    - KES 10.0 billion Police Security Modernization;
    - KES 1.7 billion for Police Medical Insurance Scheme;
    - KES 1.3 billion for Police/APs Houses;
    - KES 6.4 billion for AMISOM/Peace Keeping Missions; and
    - KES 1.4 billion allocated to address poaching of game animals in the national parks and reserves.



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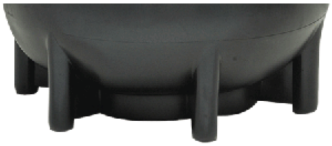
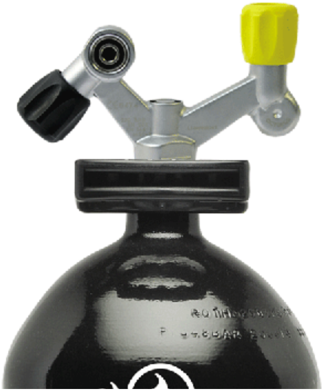


Education

- For the improvement of quality basic education and to reduce the burden on parents, the following allocations were proposed:
    - increased capitation to KES 32.7 billion for free day secondary education;
    - KES 14.1 billion for free primary education;
    - KES 0.4 billion for sanitary towels for girls in school; and
    - KES 1.0 billion for the school feeding program.
- To increase quality and access to tertiary institutions:
    - KES 3.0 billion for technical training institutes;
    - KES 52.9 billion for university education; and
    - KES 7.5 billion for Higher Education Loans Board.
- To support the demand for increased school enrolment:
    - KES 2.3 billion for recruitment of an additional 5,000 teachers; and
    - KES 2.2 billion for promotion of teachers.
- To enhance the quality of educational systems and accessibility to e-learning programs: KES 17.58 billion for deployment of ICT learning devices to schools, development of digital content, building the capacity of teachers and rolling out computer laboratory for class 4 to class 8 in all schools throughout the country.

Healthcare

- In a bid to upgrade healthcare infrastructure and modernize equipment, the Managed Equipment Services project was launched which will ensure that every County in Kenya has two hospitals fully equipped with the state of the art health care facilities.
- An allocation of KES 4.5 billion for the lease financing of health care equipment for this program in the fiscal year 2015/16.
- To further the program on free maternal services, an allocation of KES 4.3 billion in 2015/16 has been made.
- Other significant allocations are as follows:
    - KES 19.7 billion for HIV/AIDS, Malaria and TB (Global Funds).
    - KES 3.5 billion for Kenya Medical Training Centres;
    - KES 9.3 billion for the Kenyatta National Hospital;
    - KES 5.8 billion for the Moi Teaching and Referral Hospital;
    - KES 1.9 billion for Kenya Medical Research Institute;
    - KES 3.0 billion for doctors/clinical officers or nurses internship program;
    - KES 1.0 billion for slum health care program; and



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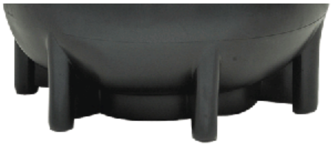
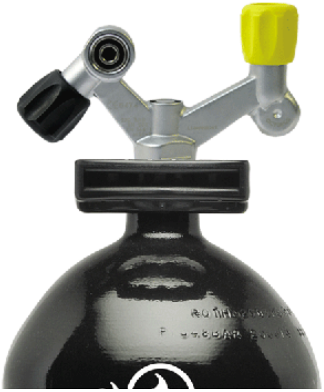
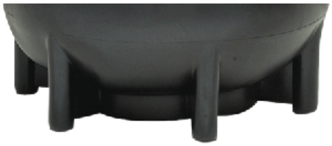


Enhancing women and youth empowerment

- KES 25.0 billion allocated to re-engineer National Youth Service (NYS) and recruitment of 10,935 servicemen in September 2015 bringing the total to 42,000 to work alongside 220,000 youth within the communities.
- Establishment of National Construction Company of Kenya under NYS to deliver infrastructure projects and enable NYS to become self-sufficient.
- Measures to address challenges faced by SMEs include:
    - Supporting SMEs to acquire small industrial plants;
    - Introduction of legislation to require 40% local content in public projects;
    - Increased allocation to Uwezo Fund and Youth and Women Enterprise Fund;
    - Increased investment in research and development;
    - Establishment of framework to facilitate leasing SMEs; and
    - Development of a framework to nurture and commercialize innovation.
- In partnership with the private sector, investments of KES 1.8 billion to be made to modernize and expand sports facilities including construction of major stadia in Nairobi, Mombasa and Eldoret.
- KES 1.1 billion towards preservation and protection of culture.





Quick Tax Guide

Income tax rates for individuals

Year 2015 and 2016

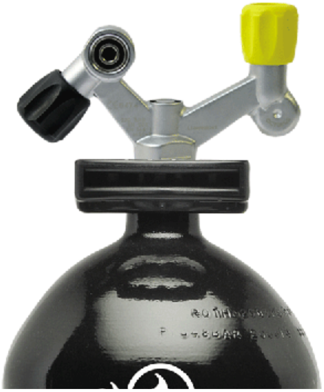
Taxable income (KShs p.a.)	Rate%	Cumulative tax payable (KShs)
0 – 121,968	10	12,196
121,969 - 236,880	15	29,432
236,881 - 351,792	20	52,414
351,793 - 466,704	25	81,142
466,705 +	30	

Allowances

Personal tax relief - 2015/2016	KShs 13,944 p.a.
Insurance premiums relief 15% (to a maximum of) - 2015/2016	KShs 60,000 p.a.
Mortgage relief on owner occupied properties on interest paid on approved borrowings (to a maximum of)	KShs 150,000 p.a.

Taxable value of employment benefits

The general rule is that all non-cash benefits are taxable at the higher of the cost to the employer or the fair market value of the benefit, unless a different method is specifically provided for.



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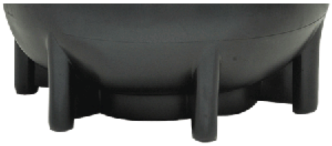


(a) Car benefit

A company car provided for an employee's private use is taxed at the higher of the Commissioner's prescribed values and 2% per month of the initial capital cost of the car incurred by the employer. Where the car is leased or hired, the employee is taxed on the cost of hiring or leasing the car. However, where the employee can show proof of restricted use of the car, then a lower rate of benefit can be determined by the Commissioner depending on usage.

(b) Domestic benefits

Telephone 30% x cost Furniture 12% x cost (1% p.m.)

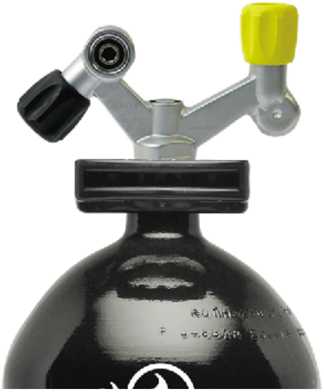
(c) Other benefits

All other benefits e.g. servants, water, security, staff meals, electricity etc. are taxable at the higher of the cost to the employer of providing the benefit or the fair market value.

(d) Housing

The taxable value of housing provided by an employer for an employee is:

Director	Higher of - 15% of total income or market rental value or rent paid
Whole time service director	Higher of - 15% of total employment income or market rental value or rent paid
Other employee	Higher of - 15% of total employment income or rent paid
Agricultural	- 10% of total employment income



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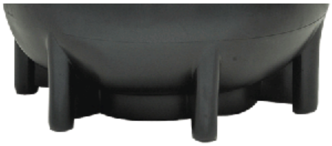
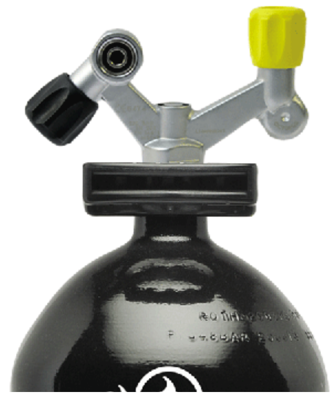


(e) Interest on soft loans and fringe benefit tax

Benefit on loans made by employers to employees at favorable interest rates are taxed on employers as Fringe Benefit Tax at the resident corporate tax rate. The benefit is the difference between market interest rate (average 91-day Treasury bill rate for interest for the previous quarter) and the rate paid by employees.

(f) Tax free employment benefits

- Medical services or medical cover provided by an employer for a full time employee or his beneficiaries, and whole time service director. In the case of a non-whole time service director, or a sole proprietor or partner the value of the non-taxable medical benefit is up to a maximum of KShs 1 million p.a.
- Income of up to KShs 200,000 for disabled persons to cushion them against expenses such as drugs, purchases of devices and home care services and treatment. Validity of period of Income tax exemption for persons with disabilities has been extended from three years to five years.
- Employer's contribution to a pension or provident fund. However, employees of organizations not chargeable to tax are taxable on contributions the employer makes to an unregistered fund or on the excess contribution to a registered fund.
- Educational fees of an employee's dependents or relatives if taxed on the employer.
- International passage costs paid by an employer for a non-citizen employee recruited outside Kenya.
- Premiums paid by employers in respect of group life policy cover that does not confer a benefit to the employee or the employee's dependents.
- Benefits in kind valued at less than KShs 36,000 p.a.
- Meals served in canteens and cafeterias operated or established by an employer or by a third party who is a registered taxpayer either at employer's premises or the third party's premises where the value of the meals does not exceed Kshs 48,000 per year per employee. Expenditure on vacation trips to destinations in Kenya paid by the employer on behalf of an employee, which term includes immediate family members. Provided that the vacation shall not exceed 7 days and this exemption is valid up to 30 June 2015.
- Payment of up to KShs 240,000 per annum into a registered pension scheme in respect of gratuity or similar payments for services rendered to an employer.



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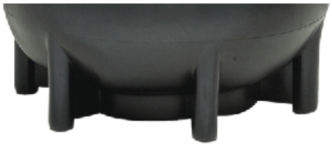


(g) Annual Returns

An individual will with effect from 1 July 2013 be required to file self-assessment returns even where his only income is emoluments from employment whose tax has been recovered through PAYE.

National social security fund

10% of monthly income, to a maximum of KShs 400: half paid by employer, half by employee. Compulsory for employers with at least five employees. New higher rates legislated but still subject of a court case.

National hospital insurance fund

Graduated scale starting at KShs 150 on KShs 5,999 salary per month up to a maximum of KShs 1,700 for salaries of KShs 100,000 and above. For self employed special rate is Kshs. 500.

Retirement funds

- Deductible contributions to the registered funds - in respect of employees: the lower of contribution or 30% of taxable employment income, or KShs 240,000 p.a. (KShs 20,000 p.m.).
- Tax exempt withdrawals:

  From a registered pension fund:

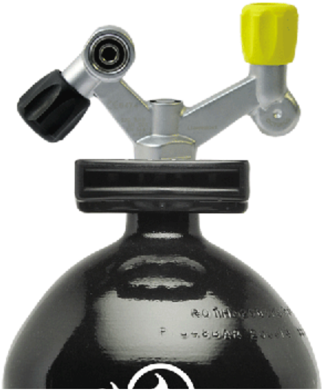
  -KShs 60,000 for each year of pensionable service, subject to a maximum of KShs 600,000.

  -KShs 1.4 million of a deceased person's withdrawal paid to dependants.

  From a registered provident fund:

  -KShs 60,000 for each year of pensionable service, subject to maximum KShs 600,000, plus all lump sums based on contributions prior to 1 January 1991.
- Tax exempt pension:

  KShs 300,000 p.a. (from registered pension schemes only).
- Monthly or lump sum pension granted to a person who is sixty five years of age or more is exempt (effective 13 June 2008).



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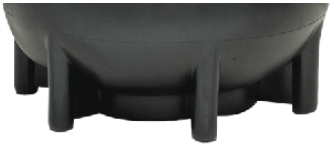
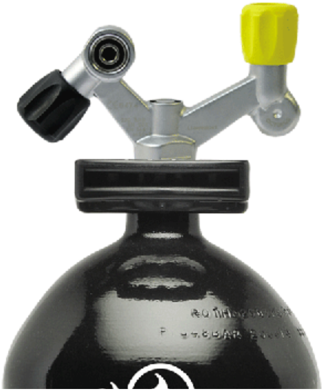


Corporate income tax rates

Resident company	30%
Non-resident company (branches)	37.5%
Person with gross business income whose turnover does not exceed KShs 5 million p.a. (from 1 January 2008)	3%
Newly listed company (NLC)	27%, 25% & 20%*
Export Processing Zone enterprises:	
- First ten years	N/A
- Next ten years	25%
Residential rental income tax (income upto Kshs. 10 million p.a.)	12%

*27% (at least 20% issued share capital listed) for NLC listed after 1 January 2002 for 3 years following the year of listing; 25% (at least 30% issued share capital listed) for those listed after 1 January 2003 for five years following the year of listing; and 20% (at least 40% issued share capital listed) for those listed after 1 January 2006 for five years, following the year of listing.
*25% for SMEs that introduce their shares at the stock echange.



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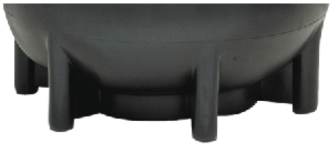
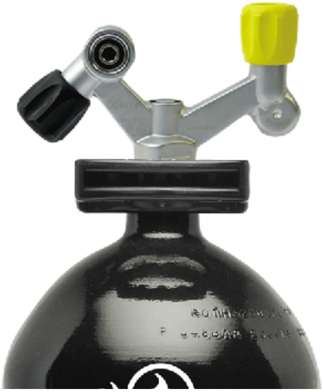


Capital gains tax

Capital Gains Tax (CGT) on disposal of properties at 5% of the net gain has been introduced with effect from 1 January 2015. It is a final tax. However this does not apply to capital gains on sale of shares listed on the securities exchange. Instead, withholding tax at 0.3% of the transaction value of shares applies.

- Wear and tear allowances (calculated on cost, net of any investment deduction allowance) on a reducing balance basis, the law has eight wear and tear classes as below:

- Tractors, Lorries ≥ 3 tonnes and similar heavy self propelled vehicles	37.5%
- Computer hardware, calculators, copiers and duplicating machines	30%
- Aircraft	25%
- Motor vehicles (if not commercial, limited to notional cost of KShs 2 million)	25%
- Telecommunication equipment for telecommunications operators	20%
- Ships which don't qualify for investment deduction due to tonnage	12.5%
- Plant and machinery, furniture and fittings and other equipment	12.5%
- Software (calculated on a straight line basis)	20%



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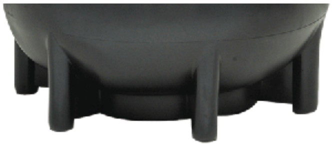
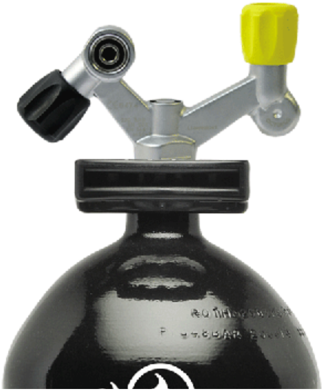


• Industrial building allowance (calculated on cost, net of any investment deduction allowance on straight line method)	
- Industrial buildings (prior to January 2010)	2.5%
- Industrial buildings effective 1 January 2010	10%
- Hotels	10%
• Commercial buildings (from January 2010)	
- Qualifying commercial building infrastructure	25%
- Educational buildings and Hostels (from January 2016)	100%
- Residential buildings built for rental purposes to low income earners in a planned development area	5%
- Farm works allowance (on cost: from January 2011)	100%
- Investment deduction allowance (on cost of buildings and machinery used for manufacturing purposes, on hotel buildings and electricity generation for national grid). All eligible assets where the investment is not less than KShs 200 million (from January 2010)	100%
- Eligible investments within Satellite towns adjoining Nairobi, Mombasa	150%
- Filming equipment by a licensed local film producer	100%
- Capital expenditure under concessionairing spread over concession period provided that the period of concession for machinery is the year of first use while road, bridge or similar infrastructure year of first use after completion	
• Manufacturing under Bond	100%
- Export Processing Zone enterprises	100%
- Shipping investment deduction (ships over 125 tonnes)	100%
• Extraction expenditure written off over 5 years (20%)	



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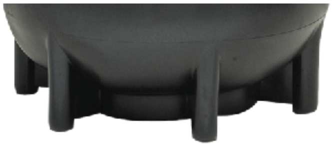
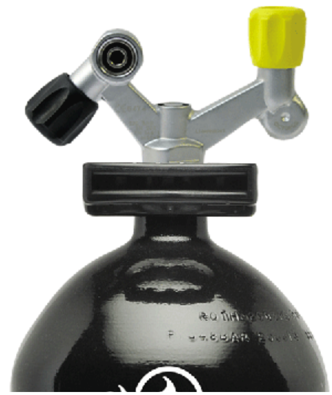


Withholding tax rates

	Resident	Notes	Non-resident
Management, professional & training fees	5%	(1)	20%*
Royalties	5%		20%*
Natural resource income	5%		20%
Leasing equipment	Nil	(2)	15%
Dividend <12.5% voting power	5%*	(3)	5%/10%*
> 12.5% voting power	Exempt		10%
Interest** from financial institutions and Gov't 2 year bearer bonds (1)	15%*	(4)	15%*
Interest** from bearer certificates (1)	25%*	(5)	25%*
Interest** on bearer bonds with maturity of ten years and above	10%		15%
Housing bond interest (1)	10%*	(4&5)	15%*
Rents - immovable property	N/A		30%*
Pension and taxable withdrawals from pension/ provident funds	10%-30%*	(6)	5%*
Insurance commissions	10%*	(7)	20%*
Contractual fees	3%	(8)	20%
Consultancy and agency fees	5%	(8)	20% *
Consultancy fee to EA community countries	N/A		15%
Management and professional fees by miners and petroleum subcontractors including training	5%		12.5%
Subcontractors for oil / gas and mining operations	5.625%		5.625%



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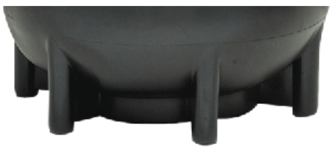
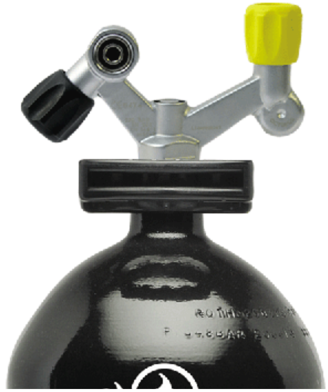


	Resident	Notes	Non-resident
Surplus pension fund withdrawal/s	30%		15%
Shipping business	N/A	(9)	2.5%
Transmission of messages by cable, radio etc.	N/A		5%
Winnings from betting & Gaming (gross)	7.5%		7.5%
Sale of property or shares of oil, mining or mineral prospecting companies	10%*		20%
Sale of securities listed on the stock exchange	0.3% of consideration		
Public lotteries (gross)	5%		5%
Premium rate service providers (gross)	15%		15%

*final tax
**for non-resident companies, interest should also include deemed interest

(1) Agency fees on export of flowers, fruits and vegetables are exempted. Audit fees for analysis of maximum residue limits paid to a non-resident laboratory or auditor are also exempted. Also exempted is commission paid by a resident air transport operator to a non-resident agent to secure tickets for international travel.
(2) Aircraft, aircraft engines, locomotives or rolling stock exempted.
(3) 5% applicable to East African citizens.
(4) The non-resident rate is 15%. The resident rate is as shown but is not a final tax for corporations.
(5) Limited to income of KShs 300,000 p.a.
(6) These rates apply only on the graduated PAYE tax rates (for early withdrawal) or in bands of KShs 400,000 (for withdrawals after a 15 year period or 50 years of age).
(7) 5% if paid to a resident broker.
(8) If fees in excess of KShs 24,000 per month when paid to a resident person.
(9) For taxable shipping business.

Note: Lower rate may apply when there is tax treaty in force. The countries with which Kenya has signed double tax treaties with are UK, Germany, Canada, Denmark, Norway, Sweden, Zambia, India, France and Mauritius. Treaties with EAC partner states, Iran and Kuwait have been negotiated and concluded but are yet to be ratified.



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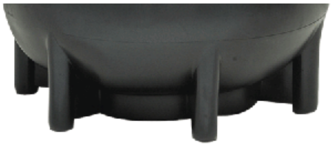


Returns and payment of income tax

Instalment tax, where applicable, is payable in 4 equal amounts in the fourth, sixth, ninth and twelfth months of the year of income. For agricultural enterprises there are two installments of 75% in the ninth month and 25% in the twelfth month of the year of income.

Instalment tax falls due on or before the twentieth day of the respective month. Basis for instalments: Lower of preceding year's tax multiplied by 110% and current year's estimate. Offset is permitted for withholding tax and advance tax suffered in the year. Final tax is due on or before the end of the fourth month after year-end.

A self-assessment return (in either English or Swahili and denominated in KShs) must be filed by the end of the sixth month following the end of the year of income.

VAT

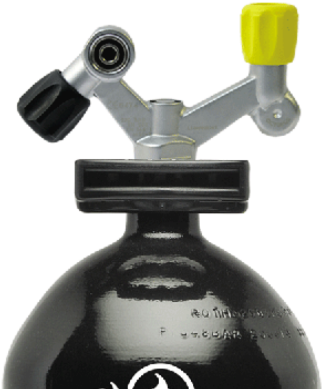
Zero rate	0%
Standard rate	16%
VAT as a fraction of the inclusive price (standard rate)	4/29
Annual turnover threshold for registration	KShs 5 million p.a.
Catering Levy	2%

Customs duty

Goods from outside the EAC are generally imported at the rates of

- 0% for basic raw materials and capital goods,
- 10% for intermediate goods; and
- 25% for finished goods.

Goods originating from the EAC Partner States will enjoy the preferential community tariffs if they meet the EAC Customs Union Rules of Origin. Import Declaration Fee of 2.0% of the Cost, Insurance and Freight is charged on all imports originating from outside the EAC and imported into Kenya unless specifically exempted.



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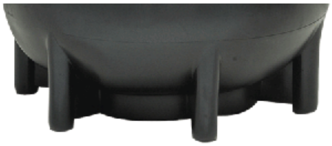


A Railway Development Levy of 1.5% of the customs value of all goods imported into Kenya for home use will be charged with effect from 1 July 2013.

Excise duty

Kenya has both a specific and ad valorem excise regime.

Excise duty on imported goods is payable prior to clearance through Customs and that of locally manufactured excisable goods is due at a date not later than the 20th day of the month following that on which it becomes due.

Please refer to the Customs & Excise publication on our website for the complete list of excise rates.

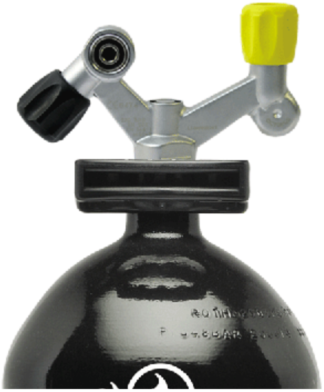
Export duty

Waste and scrap	20%
Hides and skins	80% or USD 0.52 per Kg whichever is higher

Stamp duty

Creation or increase of share capital	1%
Transfer of stock or marketable security (except for quoted securities, which are exempt)	1%
Transfer of immovable property situated:	
- Within a municipality	4%
- Outside a municipality	2%
Debenture or mortgage:	
- Primary security	0.5%
- Auxiliary security	0.1%
- Transfer	0.1%

Real Estate Investment Trust (RITS) and Asset Backed Securities (ABS) exempted.



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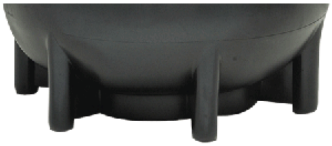

Lease:

- Between one & two years — 1% of annual rent
- Any other period — 2% of annual rent

- Instruments certified by Capital Markets Authority to be executed for issue of Asset-backed securities.
- Instruments executed on transfer of a family property to a limited liability company where shares are wholly owned by the family.
- Increase in capital of listed companies.
- Instrument that is executed in respect of the transfer of property on setting up a listed property investment vehicle shall be exempt w.e.f. 12 June 2008.

Standards Levy

Payable by manufacturers at a rate of 0.2% of the ex-factory price, subject to a maximum of KShs 400,000 p.a. and a minimum of KShs 1,000 p.m. The levy is payable on a monthly basis.

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