



Deloitte.

Kenya Budget Analysis Seminar

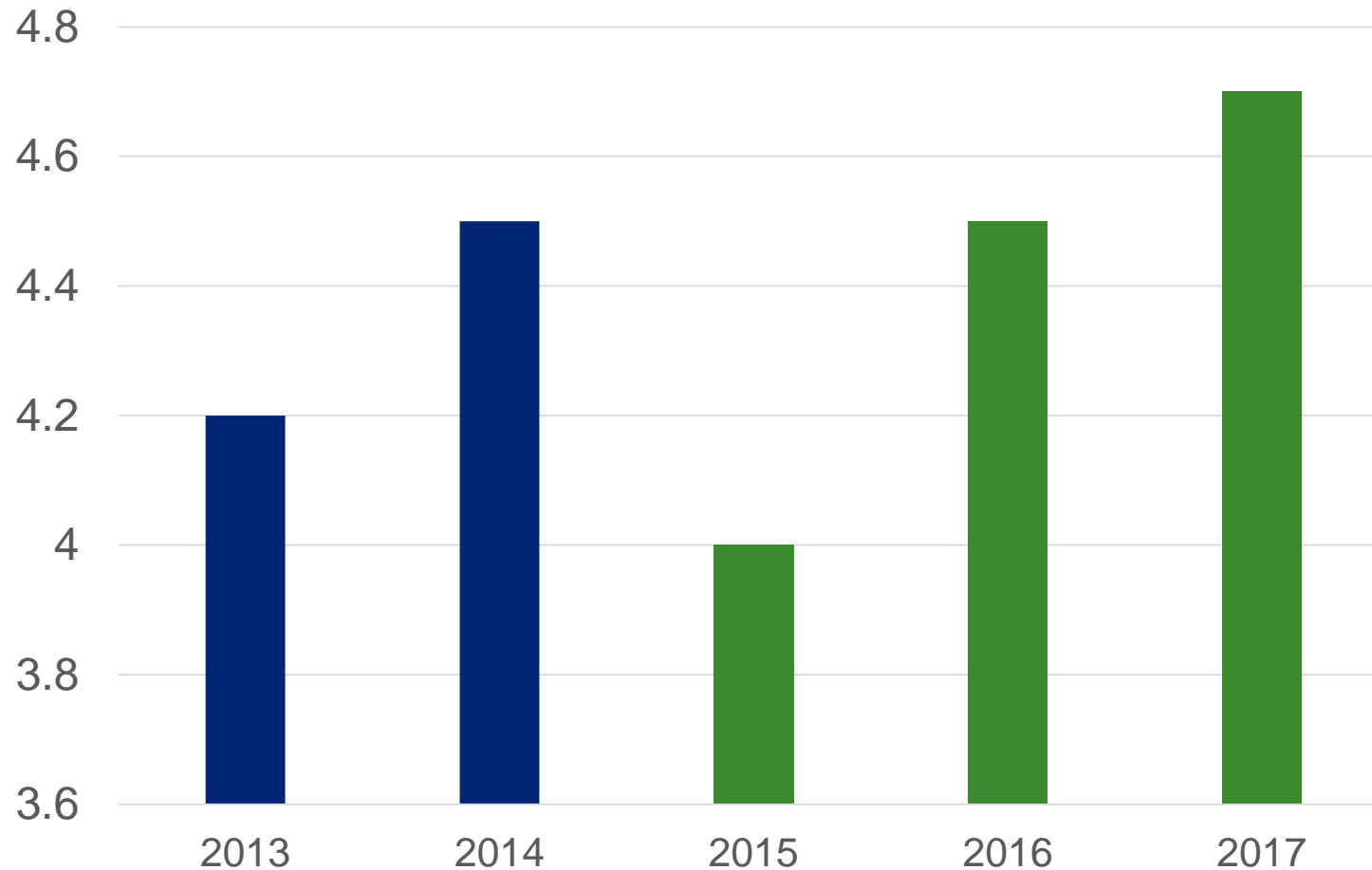
Diving deep

June 2015

Economic Outlook

Sub Saharan Africa GDP growth (%)

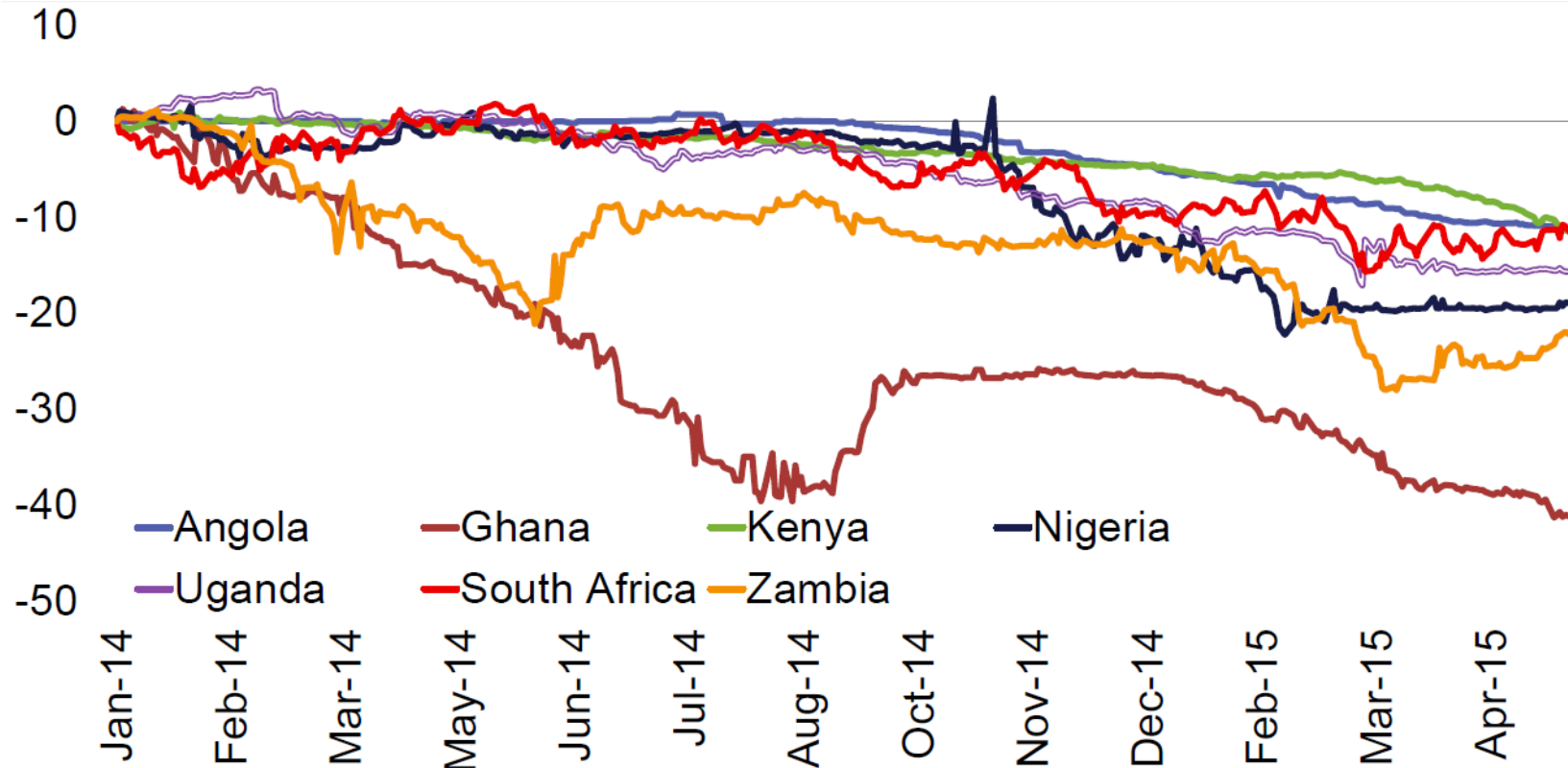
Poised for growth



- The World Bank forecast has the region expanding at a slower pace in 2015, with growth averaging 4.2 percent, a downward revision of 0.4 percent
- Prospects in Angola and Nigeria have deteriorated because of the sharp drop in the price of oil, and in South Africa because of the ongoing difficulty in overcoming electricity problems

Bullish dollar against African currencies

LCU/US\$, percent change, year-to-date



Source: Bloomberg

While debt burdens remain manageable, continuing currency depreciations against the U.S. dollar could lead to a rapid increase in the value of foreign-currency debt

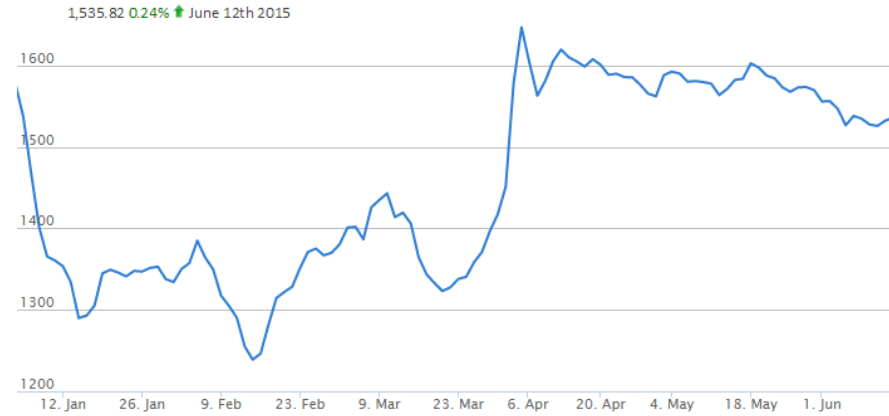
Equity indices

Bear Markets all around

Nairobi Stock Exchange (NSE 20)



Nigeria Stock Exchange (NSE 30)



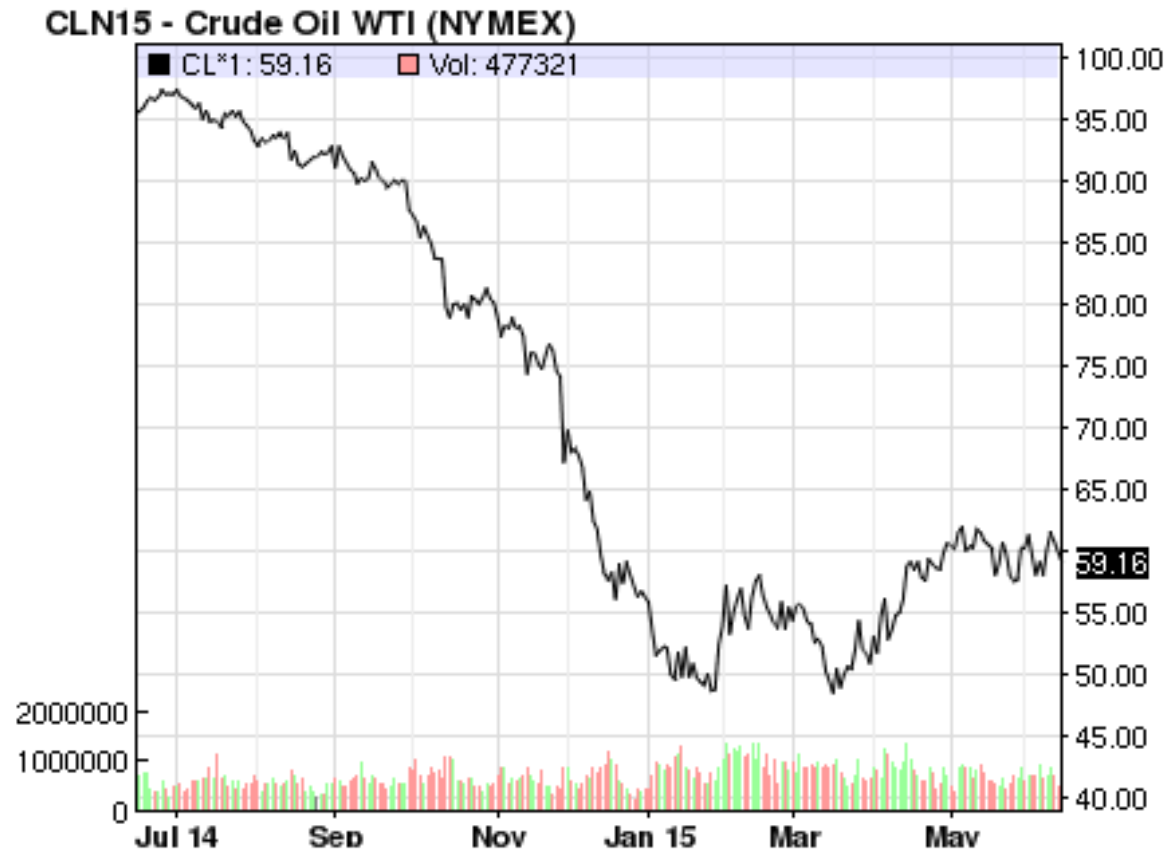
South Africa Stock Market



Egyptian Stock Exchange (EGX 30)



Crude Oil prices

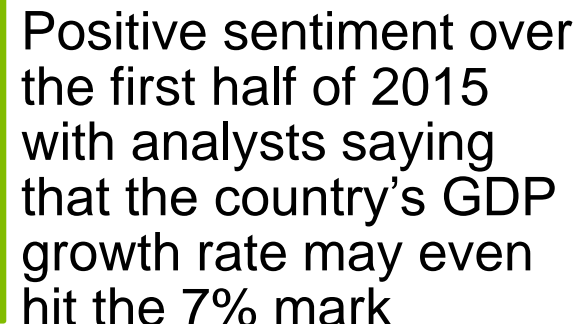



Source: NASDAQ

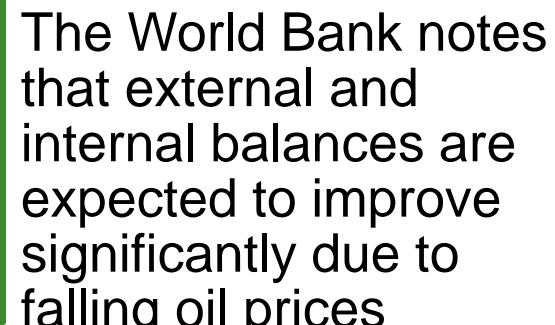
- Increase in Sub Saharan growth will be driven by domestic demand, supported by continuing infrastructure investment and private consumption fueled by **lower oil prices**
- However, private consumption growth is expected to slow in the oil exporters with cuts to subsidies to alleviate pressure on budget result in higher fuel costs

A snapshot of the Kenyan Economy

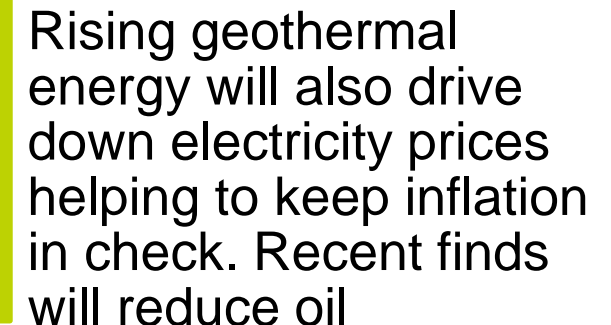

Kenya is at the cusp of taking-off...



Positive sentiment over the first half of 2015 with analysts saying that the country's GDP growth rate may even hit the 7% mark



The World Bank notes that external and internal balances are expected to improve significantly due to falling oil prices



Rising geothermal energy will also drive down electricity prices helping to keep inflation in check. Recent finds will reduce oil dependency even further

A snapshot of the Kenyan Economy

...But we have to tackle the following challenges

Security is still a sticky issue and an impediment to doing business

Tourism has suffered tremendous setbacks as a result of the security situation in the country

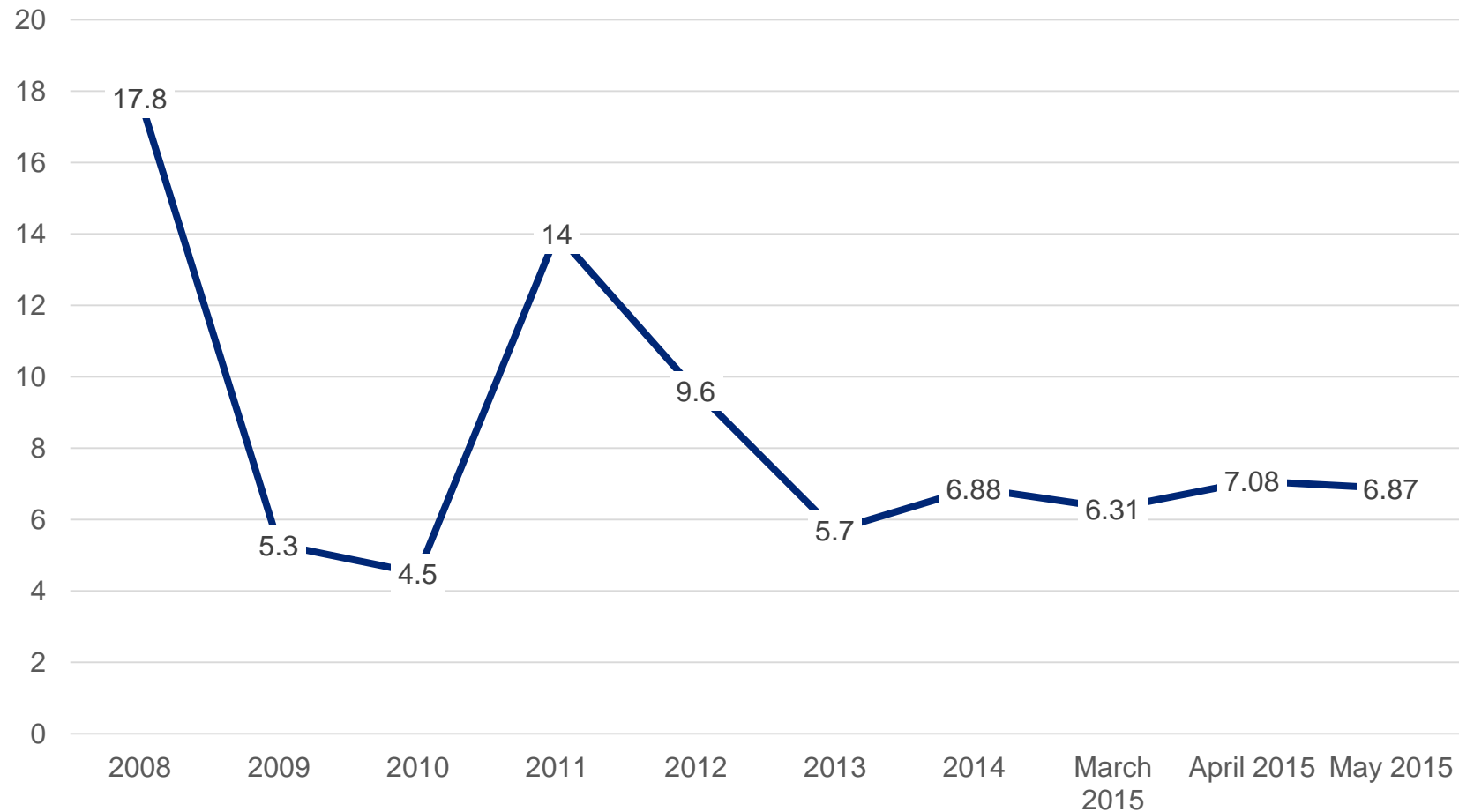
The country is likely to begin to go into election mode in 2016. We have to learn how to carry on with business during elections

The war on corruption and financial mismanagement has to be won in government and private sector

The shilling has been weakening in recent times, falling in May to its lowest point in since November 2011

Kenyan Economic outlook

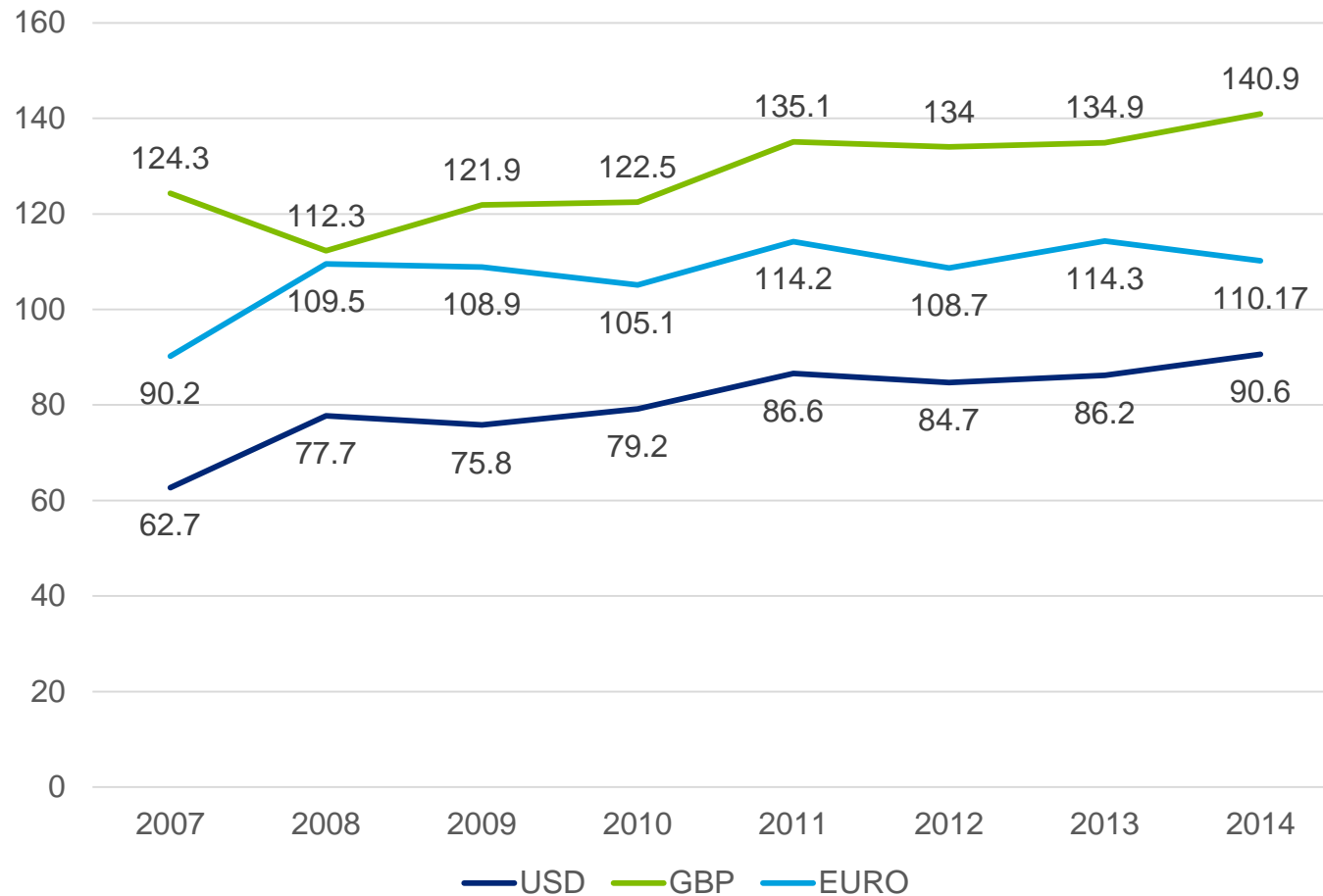
Inflation



Despite the fall of oil prices locally, inflation has taken an up-turn with housing, water, electricity and gas increasing over the past few months

Kenyan Economic outlook

Exchange rates



The Kenya shilling has lost ground over the GBP and USD in the last 2 years making the cost of imports rise, but consequently favouring exporters

Budget Overview



Key Highlights - Expenditures



Infrastructure

- Standard Gauge Railway, Geothermal Power Development, enhance access to electricity, road network, modernization of harbours and airports



Security

- Lease financing of Police/Prisons motor vehicles, military modernization, Police Security Modernization, Police Medical Insurance Scheme, Police/APs Houses, AMISOM



Agricultural and industrial transformation

- irrigated agriculture, agri-business, flood control measures, food security

Key Highlights - Expenditures



Youth and women

- Re-engineering National Youth Services, establishment of National Construction Company, support to SMEs, modernization and expansion of sports facilities



Education

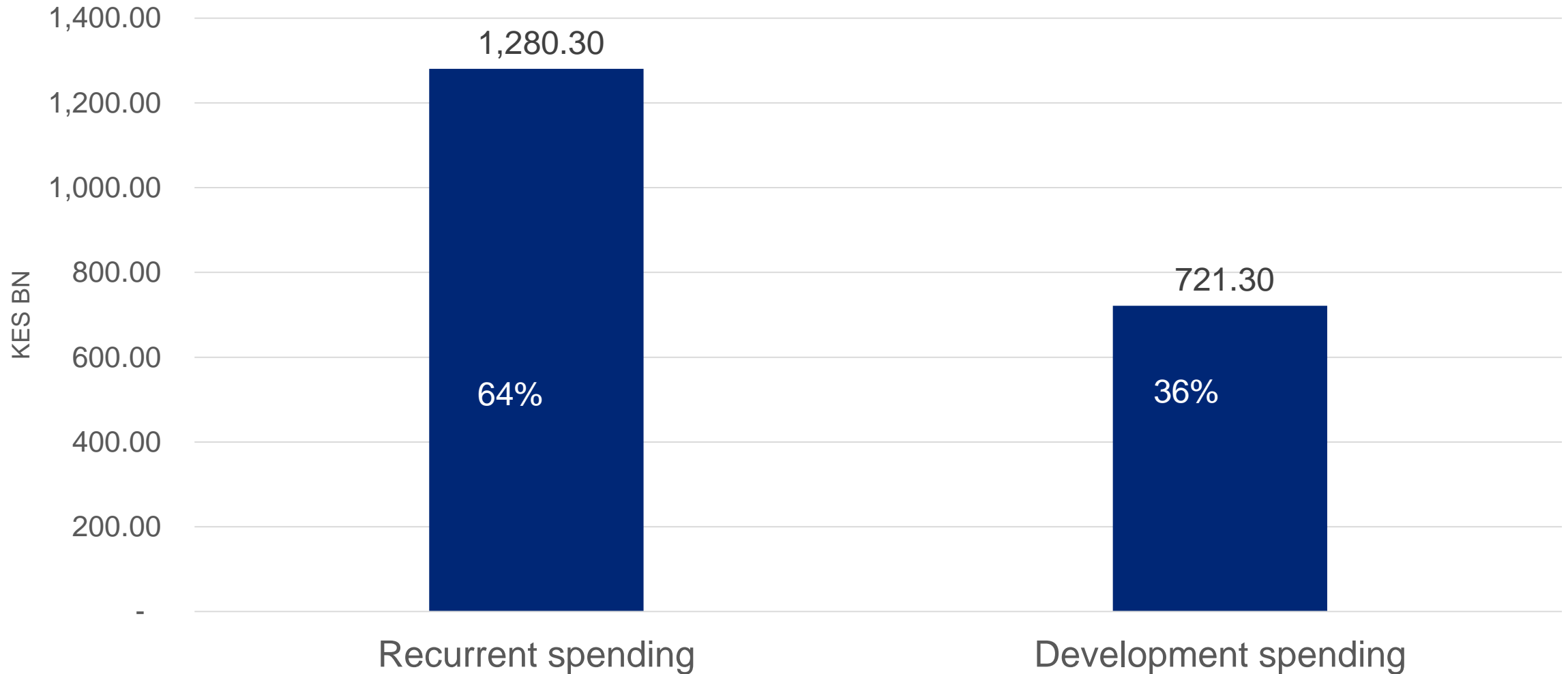
- Free day secondary education, free primary education, sanitary towels for girls in school, school feeding program, increase quality and access to tertiary institutions, support the demand for increased school enrolment, e-learning programs, deployment of ICT learning devices



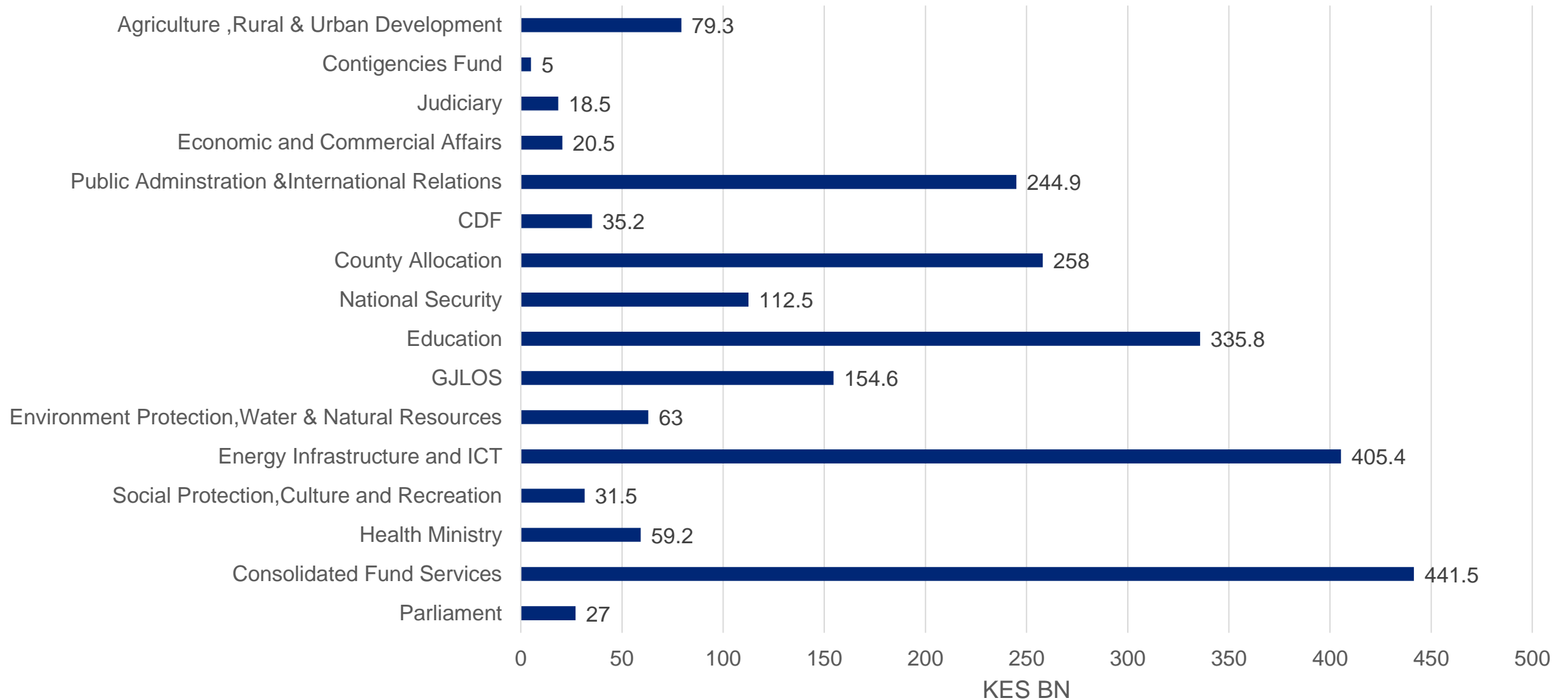
Health

- Managed equipment services project, free maternal services

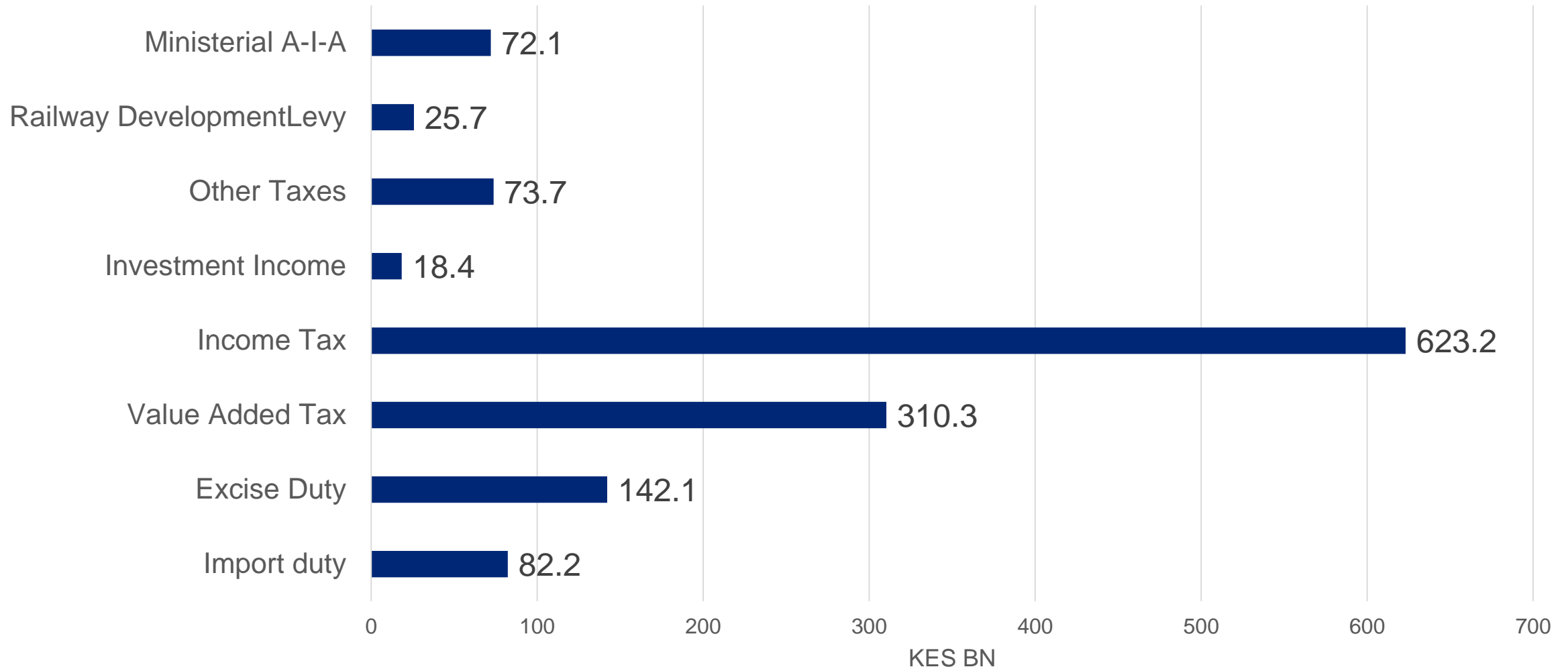
Government Spending 2015-16



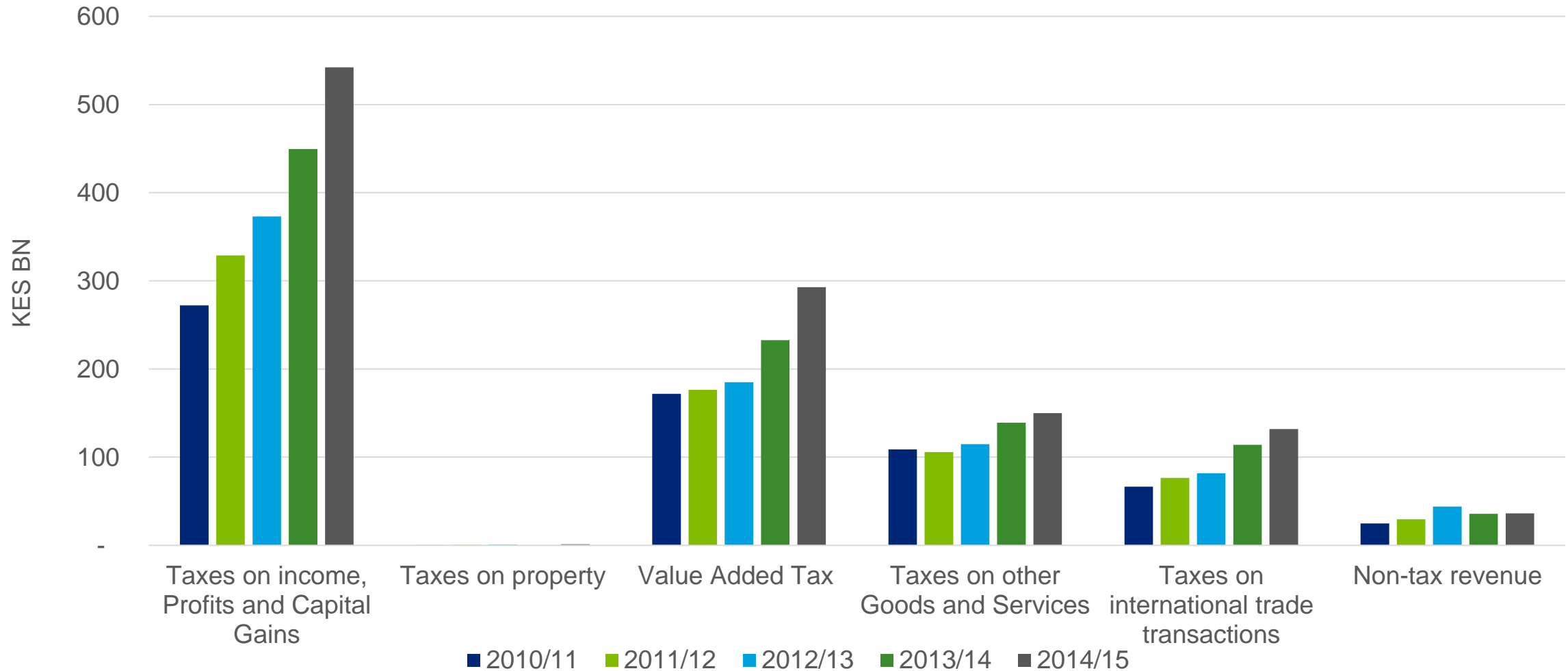
Government Spending 2015-16



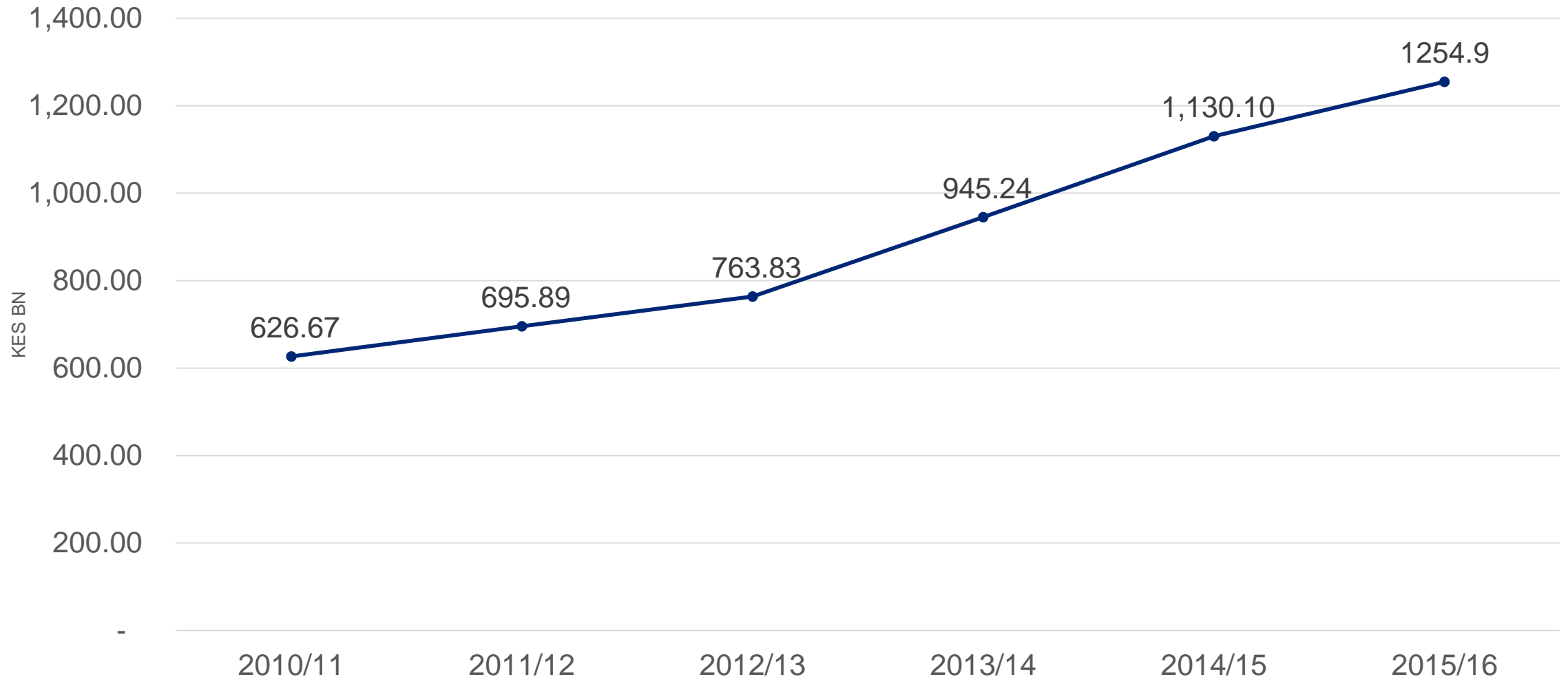
Kenya Budget 2015-16 Sources of Revenue



Tax Collection 2010/11 – 2014/15 by Tax Regime



Total Tax Revenue 2010/11 – 2014/15



Tax Measures



Corporate Tax

Carry forward of
tax losses

Residential rental
income tax

Tax amnesty for
tax payers
earning rental
income

CGT on transfer
of listed shares to
be taxed under
withholding

Withholding Tax

Exemption from withholding tax on payments made by film producers to foreign actors and crew members

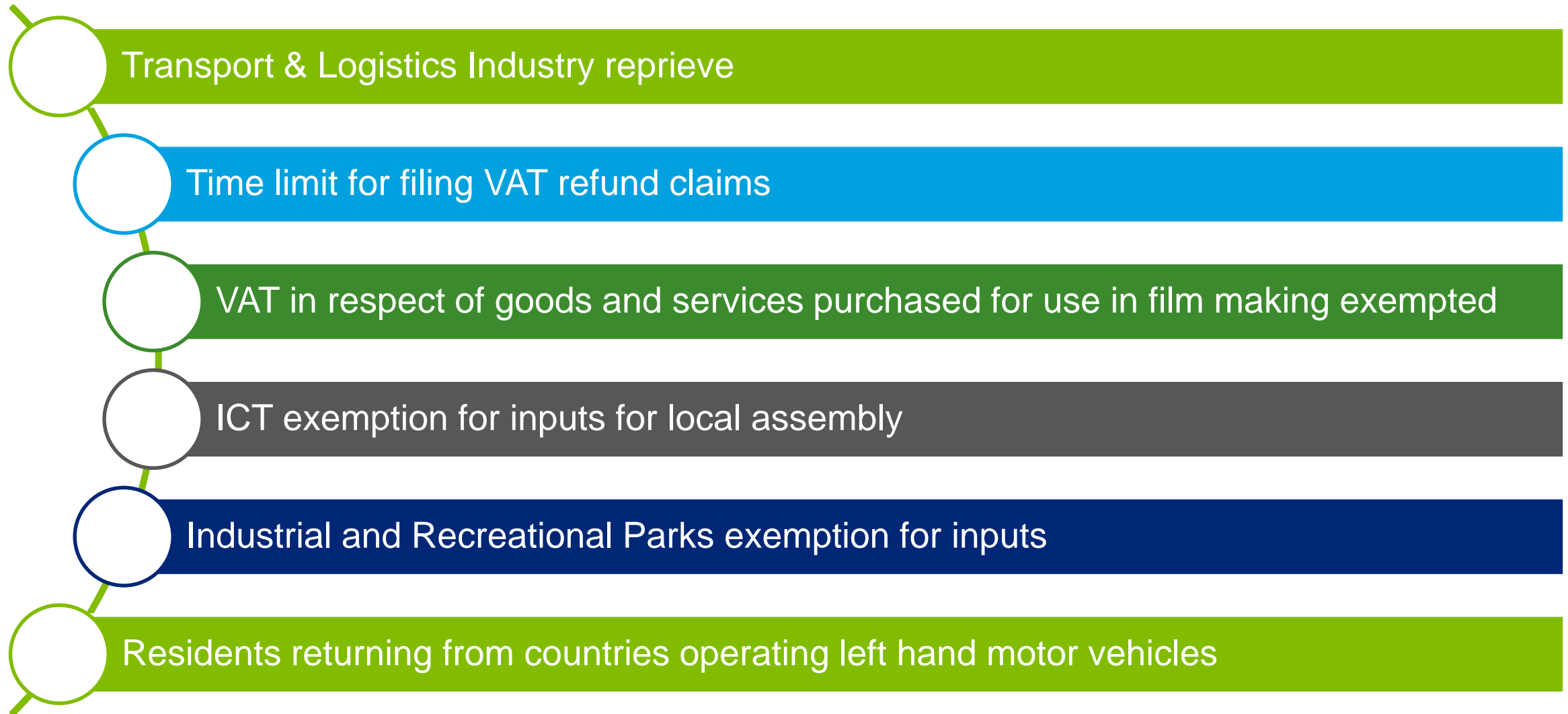
Simplified gaming tax

Tax on prize competition

Withholding tax on training services and contractual fees for the extractive industries

Withholding tax on gains arising from sale of shares

Value Added Tax



Customs Duty

Specific import duty rate on sugar doubled

Increase of import duty on plastic tubes for packing tooth paste and cosmetics, aluminum milk cans and made up fishing nets

Withdrawal of stay of application of CET rate on paper and paperboard products

Removal of import duty and stay of CET rate on gas cylinders

Duty remission on nylon yarn and synthetic twine used in the manufacture of fishing nets

Remission of import duty on semolina, the raw material for making pasta

Customs Duty Continued

Goods, materials, equipment and other supplies for official use by prison authorities will be exempt from import duty

Reduction of Import Declaration Fees (IDF)

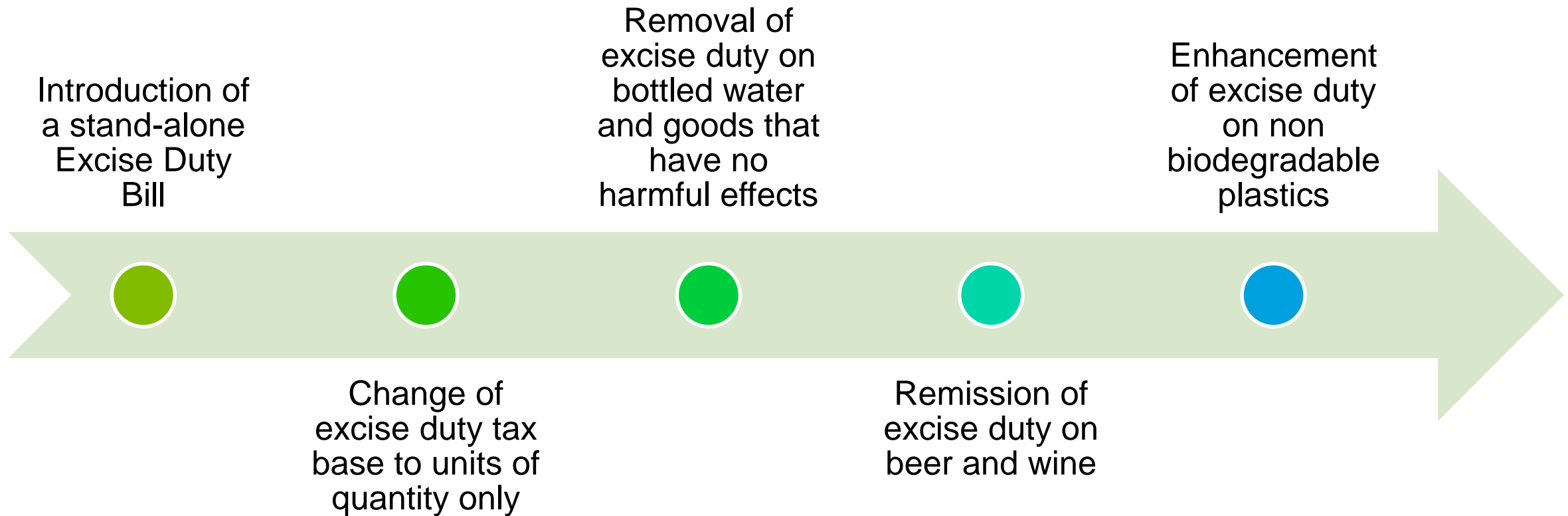
Exemption on import of cars by returning residents

Introduction of a Miscellaneous Fee and Charges Bill

Harmonization of export duty on raw hides and skins

The Kenya National Electronic Single Window System

Excise Duty



Excise Duty

All classes of fossil fuels to attract excise duty



Excise duty rate on alcoholic beverages to be increased marginally

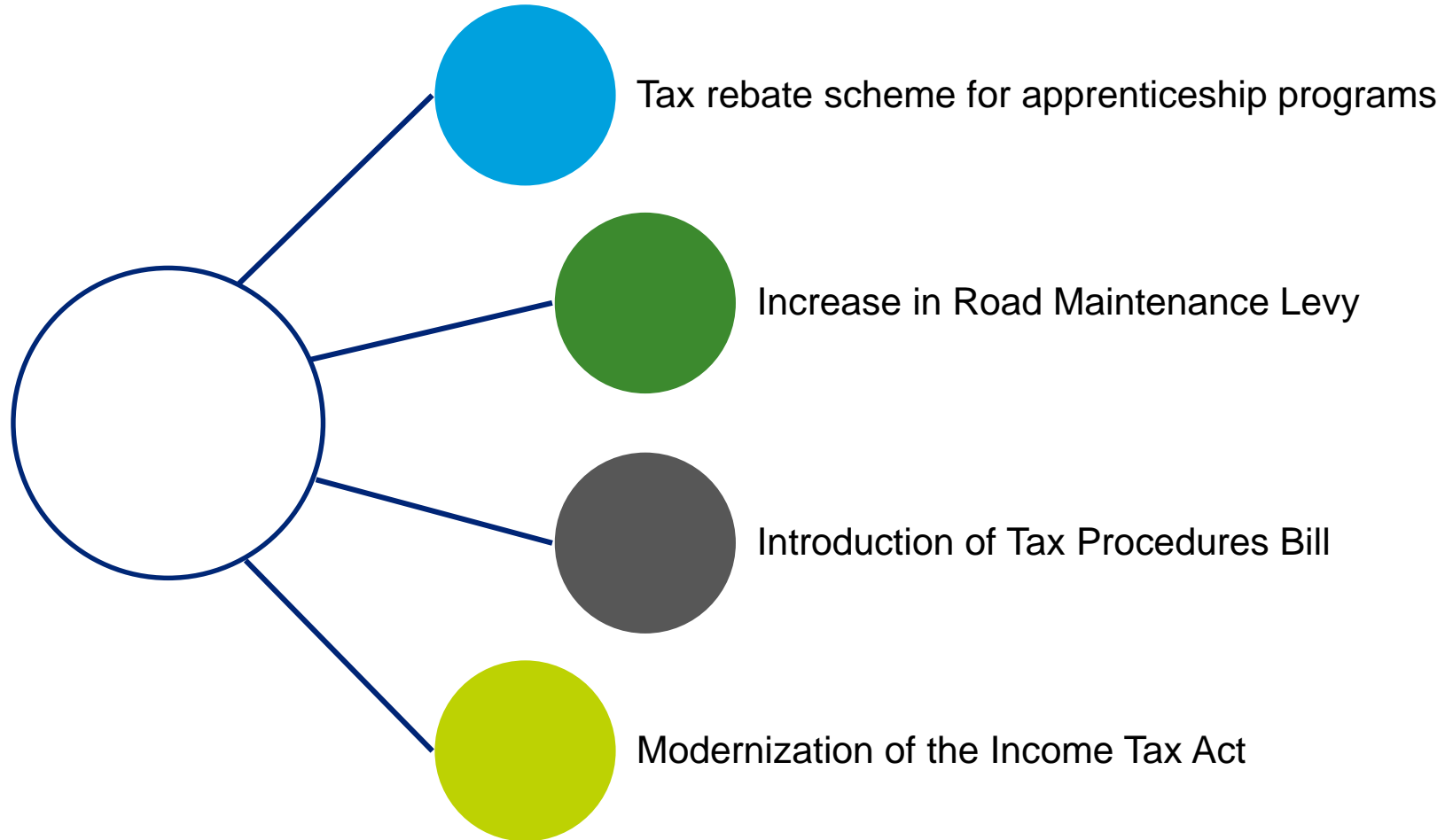
The hybrid tax regime for cigarettes to be converted into a specific one



Taxation of motor vehicles and motor cycles to be changed into a regime based on classes of age

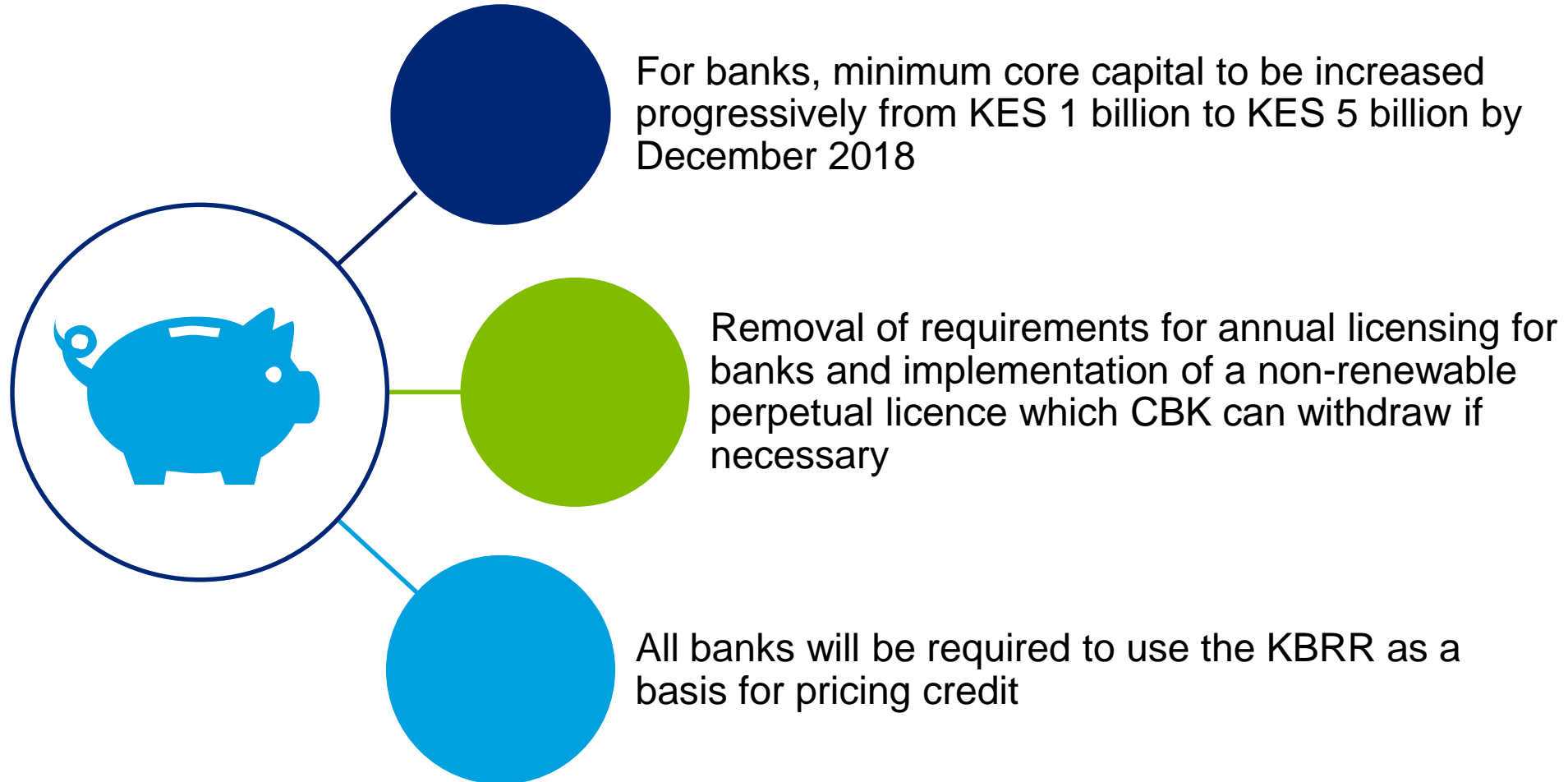


Miscellaneous Amendments



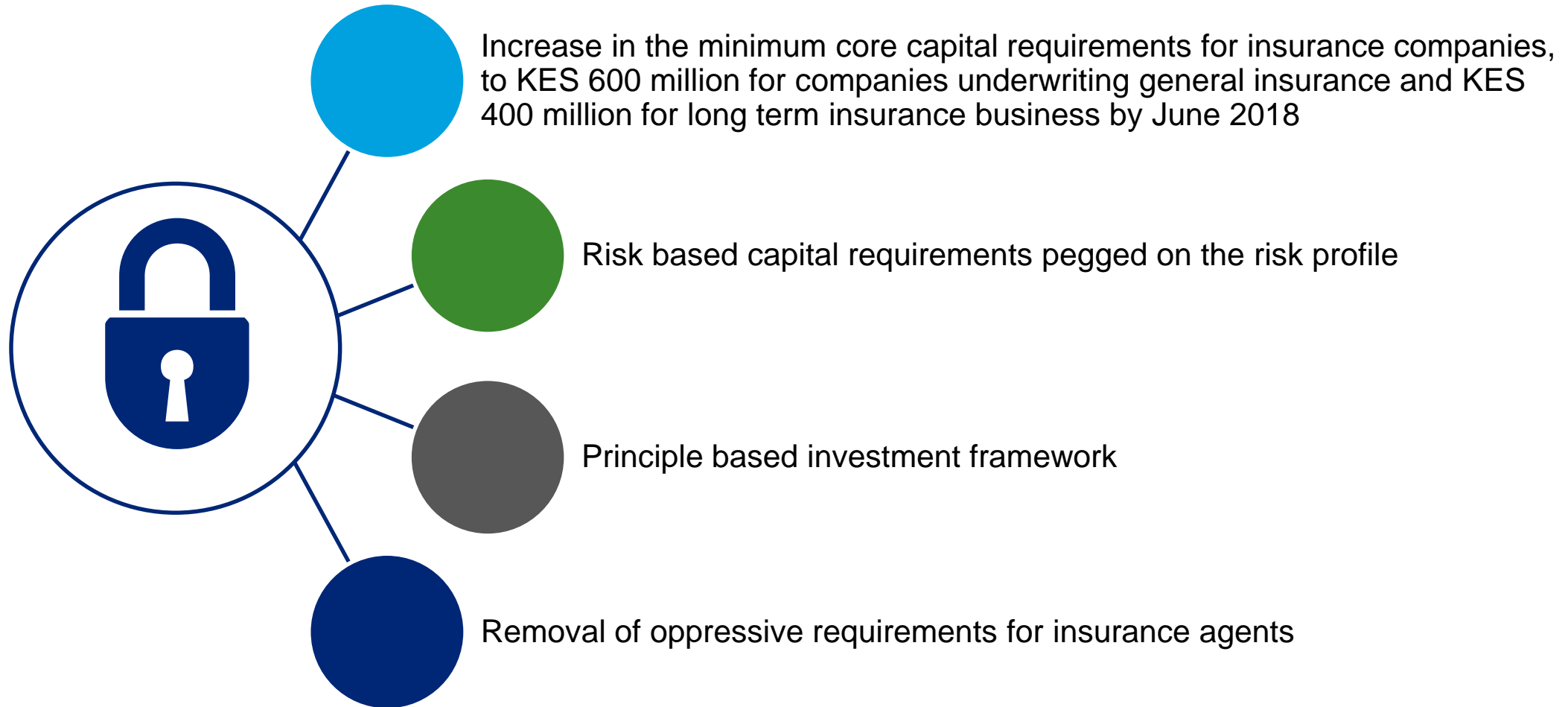
Miscellaneous Amendments

Banking Sector



Miscellaneous Amendments

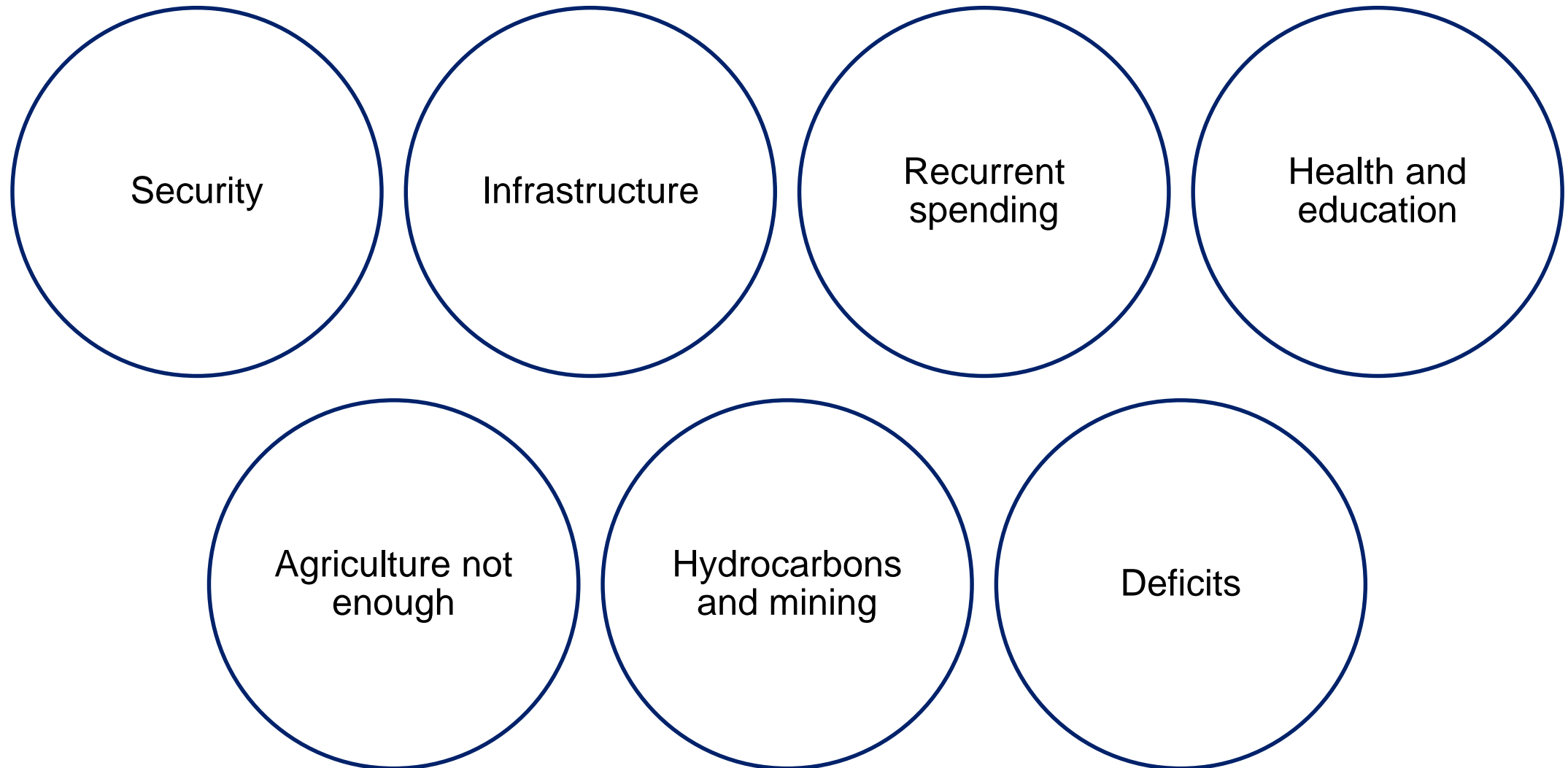
Insurance Sector



EAC



EAC – Focus Areas



Rwanda



Rwanda - Corporate Tax

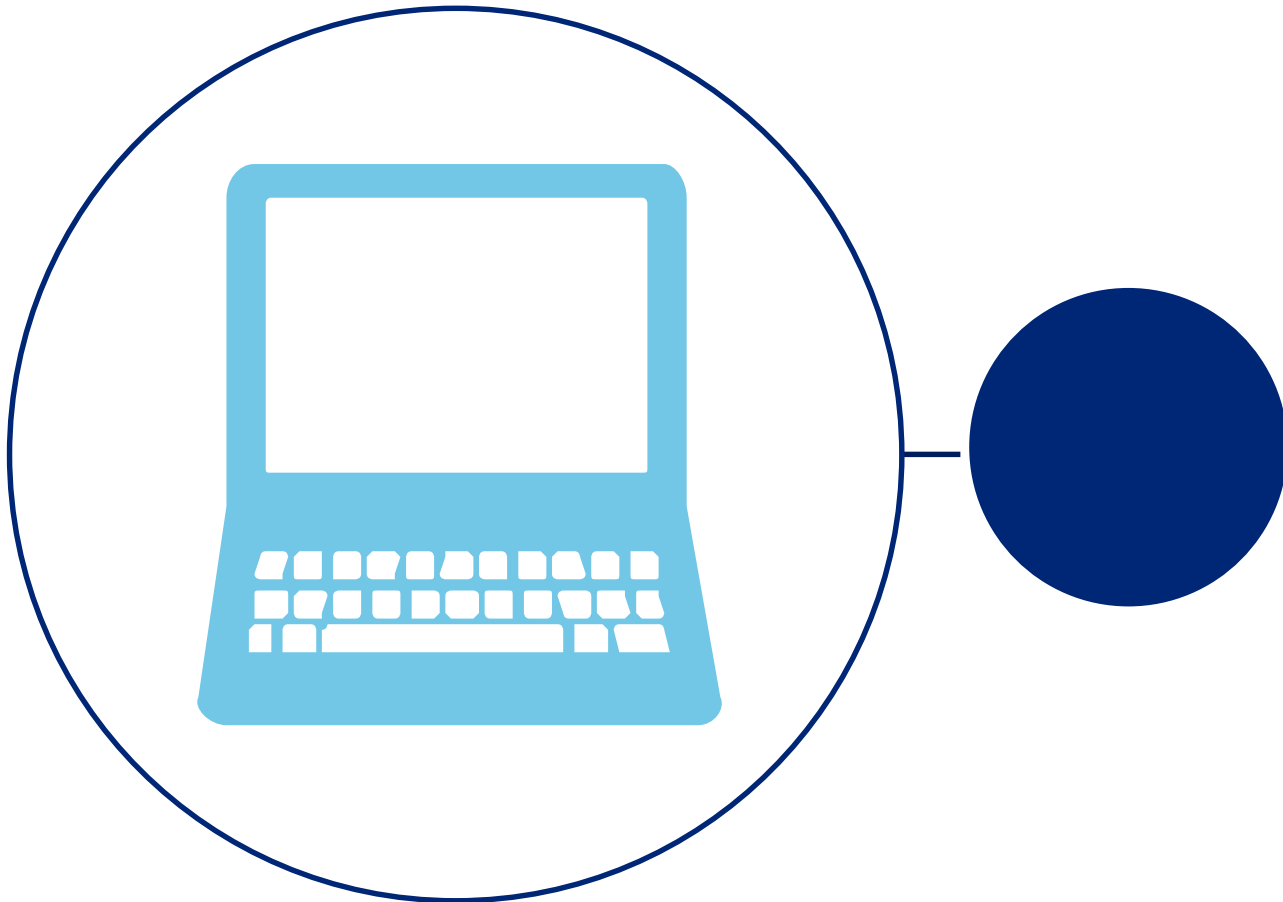


Rwanda - Customs & Excise Duty

Stay of application of duty or reduction of duty on the following

- Road tractors/ semi-trailers
- Transport vehicles between 5 to 20 tonnes
- Transport vehicles above 20 tonnes
- Public transport vehicles of between 25 and 50 people and those of above 50 people
- Sugar (less than 70 tons imported)
- Unprocessed rice
- Inputs in telecommunication sector
- Raw materials (as per specified list)

Rwanda - Miscellaneous Amendments

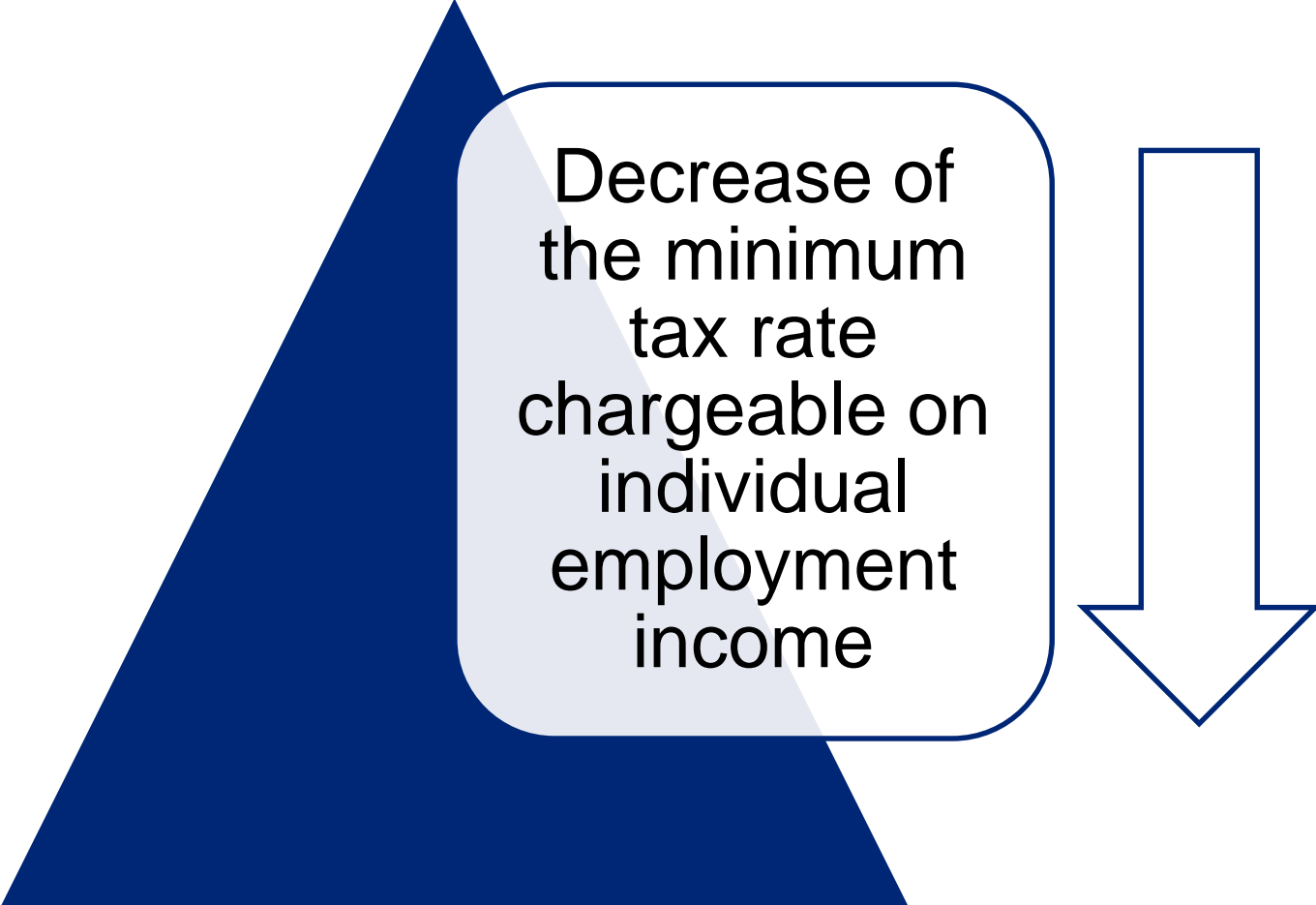


Improvement of use of the Electronic Billing Machine (EBM) through extending use to other taxes which are yet to be specified

Tanzania

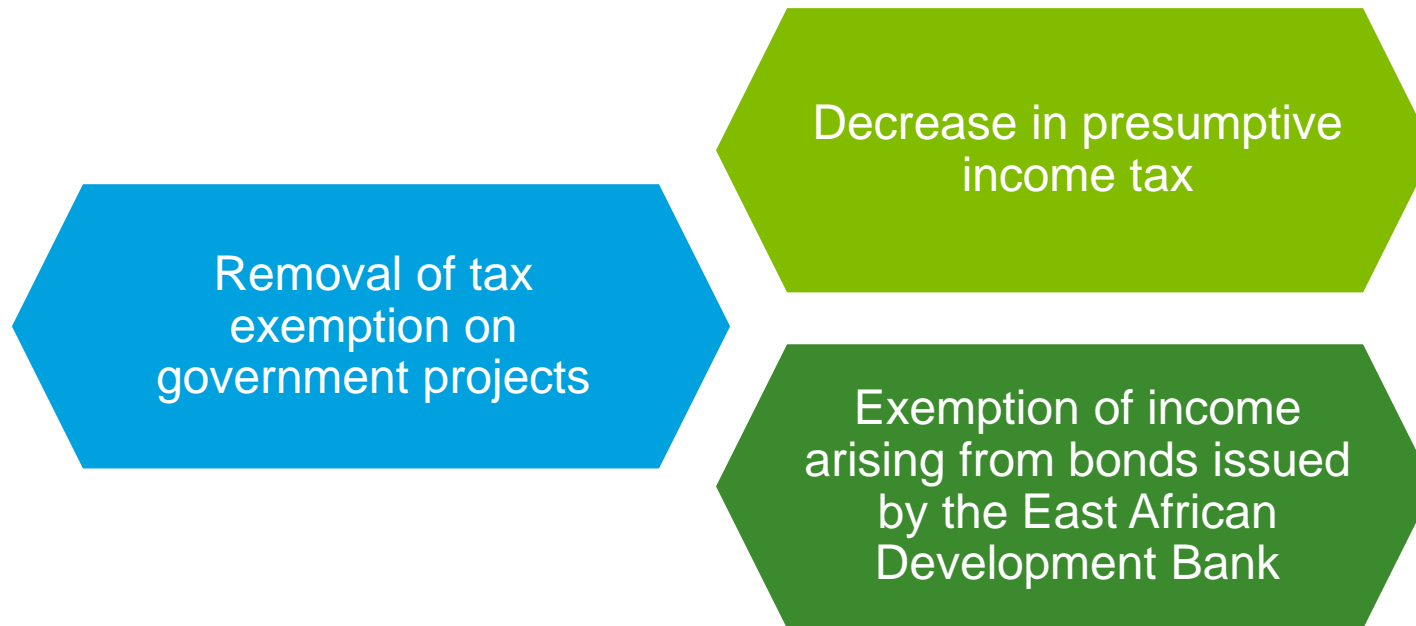


Tanzania - Personal Tax



Decrease of
the minimum
tax rate
chargeable on
individual
employment
income

Tanzania - Corporate Tax



Tanzania - Customs & Excise Duty

Duty reduction
on imported
wheat

Increase duty
rate on plastic
tubes

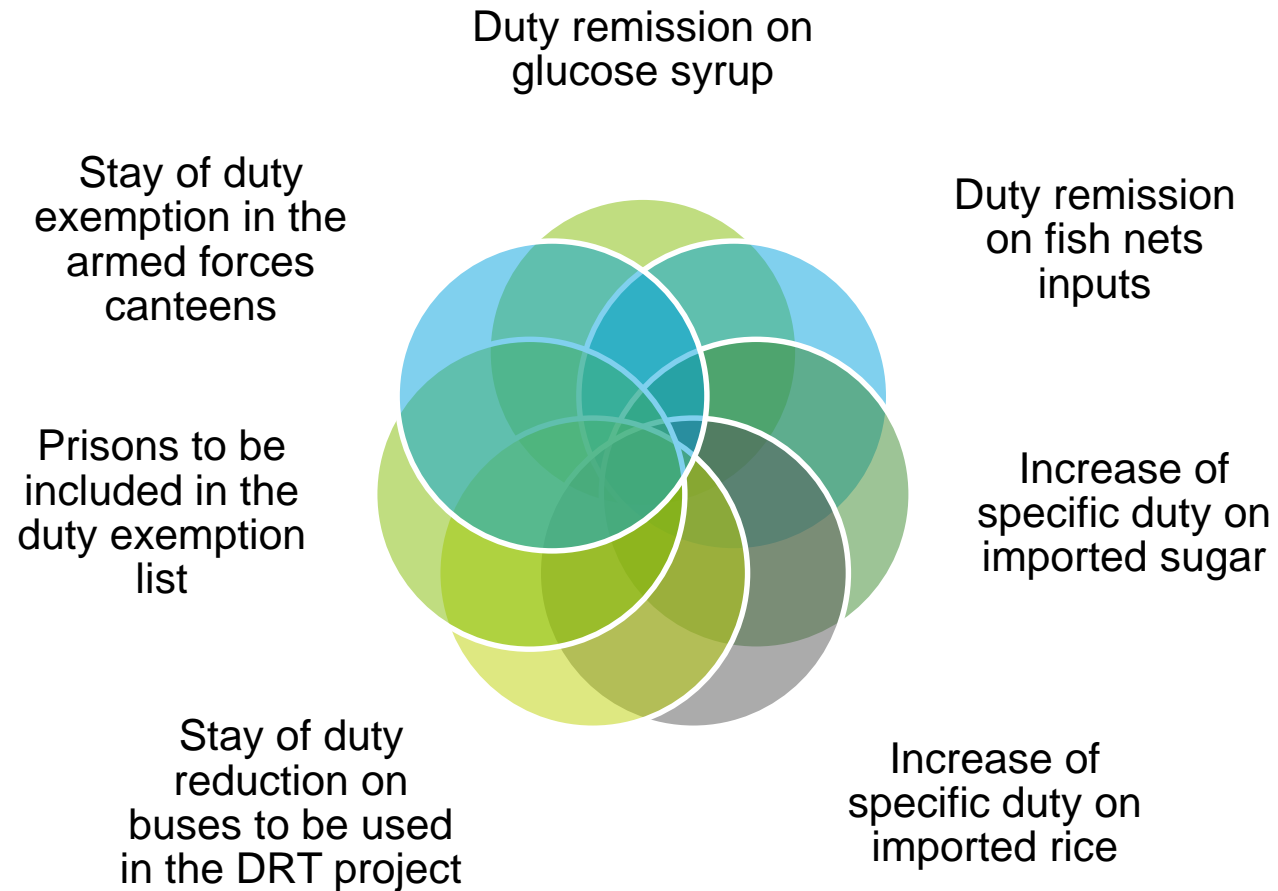
Duty remission
on spaghetti
raw materials

Stay duty
remission on
soap raw
materials
(LABSA)

Import duty
charge on
metal products
used in
construction

Import duty
reduction on
imported sticks
for
manufacturing
of matches

Tanzania - Customs & Excise Duty



Uganda



Uganda - Corporate Tax



Presumptive tax
and formalising the
informal sector

Enforcement of the
use of Taxpayer
identification
numbers

Thin Capitalization
rules amended

Uganda - Withholding Tax

**Withholding tax on
supply of goods
and services**

**Reduction of WHT
rate on re-
insurance premium
payments**

Uganda – Value Added Tax

Annual registration
threshold increased

VAT on imported
services for licensed
companies

Accounting for VAT
on cash basis

Zero rate for cereals



Uganda – Customs & Excise Duty

Adjustment to excise duties

Introduction of excise duty for motor vehicle lubricants, chewing gum, sweets, chocolates and furniture

Removal of excise duty on incoming calls from Kenya, Rwanda and South Sudan

Increase in rates of environmental levy

Uganda - Miscellaneous



Introduction and increase of
various fees and charges