



## The East Africa Community Gazette Notice 2015 The changes

Dear All,

The East Africa Community Council of Ministers ('Council') met in Arusha on 11 April 2015 to review the *East Africa Community Customs Management Act (EAC CMA)* and the *East Africa Community Common External Tariff (EAC CET)*. Articles 12(3) and 39(c) of the East Africa Community protocol empowers the council to make amendments to the structure of the EAC CET in a bid to safeguard the interests of the community. The council approved several measures on custom duty rates, stay of application of the CET, remission of duty on goods imported for manufacture of goods, export duty rates and the exemption regime under the fifth schedule of the EAC CMA. The Sectoral Council on Trade, Finance and Investment (SCTFI) in their meeting held on 22 May 2015 adopted these changes which were subsequently published in the EAC Gazette Notice no 9 of 2015 by the EAC Secretariat on 19 June 2015.

We have summarized notable measures contained in the EAC gazette notice and analysed the impacts of these changes on the affected parties. The changes contained in the gazette notice came into force on 1 July 2015.

### The measure

The council increased the import duty rates for the following items:

- Sugar from USD 200 to USD 460 per metric tonne or 100 % whichever is higher.
- Plastic tubes for packing tooth paste and cosmetics from 10% to 25%
- Iron and steel products from 10% to 25%
- Rice from 35% or USD 200/MT to 75% or USD 345/MT whichever is higher.

### Who will be affected

Importers, Local manufacturers, Consumers.

### Our view

Sugar has been on the EAC Common External Tariff sensitive list from the commencement of the Customs Union and the *ad valorem* rate charged at the rate of 100%. However, the specific rate of USD 200 per metric tonne still facilitated cheaper imports of sugar that encouraged unfair competition for an already struggling sugar sector. The move to increase the specific rate to USD 460 per metric tonne will further cushion the local sugar industry from cheap imports. There will be an increase in the prices for imported sugar and this will hopefully encourage sales of locally produced sugar. On the downside, Customs will have to be more vigilant in enforcement to curb the possible smuggling of imported sugar and counterfeits. Protectionist measures such as this one will only be effective if local industry addressed efficiencies and improves productivity.

Rice is a sensitive item in the EAC CET and the council increased the duty rate to further protect local farmers from cheap imports. Kenya has however been granted a 1 year extension of stay of application of the CET to import rice at 35% or USD 200/MT whichever is higher. This move was necessitated by the need to address the deficiency of rice in Kenya.

The increase in import duty on iron and steel and plastic tubes for packaging tooth paste will help cushion local manufacturers of these products from cheap imports and hopefully encourage increased production due to reduced costs.

#### The measure

The council has reduced the import duty rate on iron and steel containers for packing Liquefied Petroleum Gas (“LPG”) from 25% to 0%.

#### Who will be affected

Importers and consumers of LPG.

#### Our view

This move was informed by the growing demand in LPG among the middle class within the East Africa Community. This move will minimise the use of charcoal and firewood as a source energy thereby promoting environmental conservation. However Kenya has been granted a stay of application of the EAC CET to import the gas cylinders at **25%** instead of **0%**.

### Changes in the exemption regime

#### The measure

The council made the following changes to the Fifth Schedule of the EAC CMA:

- Gas cylinders have been removed from the Fifth Schedule Part B Par 2(f) of the EAC Customs Management Act and the CET rate reduced from 25% to 0%. However, Kenya will stay the application of the EAC CET rate of 0% and impose a rate of **25%**.
- The council has amended part A item 2 of the Fifth Schedule to include all goods, including materials, supplies, equipment, machinery and motor vehicles for official use by prison services.

#### Who will be affected

Prison authorities, Importers, manufacturers and consumers of gas cylinders.

#### Our view

The removal of import duty on gas cylinders imported by the EAC Partner States will make the products cheaper to import to meet the growing regional demand. However, since Kenya is the only manufacturer of gas cylinders in the EAC, she has been granted a stay in the application of the CET rate and will instead apply a rate of **25%** to protect local manufacturers from cheap imports.

The exemption of goods imported by prison authorities will reduce their cost of operations, improve their efficiency and enable them enjoy a similar exemption status as the Armed Forces and the police.

### Duty remission under Section 140 of the EAC Customs Management Act.

#### The measure

The Council approved a remission of duty on the goods imported for manufacture of goods as follows:

- Nylon yarn and synthetic twine used in the manufacture of fishing nets at an import duty rate of 0% instead of 10%
- Groats and meal of wheat (semolina), the raw material for making pasta and spaghetti at an import duty rate of 0% instead of 25%
- wood splints for manufacture of matches at import duty rate of 0% instead of 10%
- acrylic polymers for manufacture of paints at import duty rate of 0% instead of 10%
- wheat grain at import duty rate of 10% instead of 35%
- glucose and glucose syrup at import duty rate of 0% instead of 10%

The Council has further extended the stay of application of the conditions contained in *legal notice no EAC/39/2013* of 30 June 2013 on duty remission for motor cycles assembly for one year. This legal notice allows for duty remission for assemblers of Completely Knocked Down Kits (CKD) who procure or manufacture the following specified parts within the EAC; main frame, suspension, or a combination of seat and seat frame, mudguard, wheel rim, break gear and exhaust pipe.

#### Who will be affected

Gazetted manufacturers, importers and consumers.

#### Our view

This is a welcome move that will encourage local production of fishing nets, confectionaries, paints, motor cycles and match boxes due to reduced cost of imported raw materials. Gazetted millers of wheat grain in Kenya have been granted duty remission to enable the country address wheat deficiency due to insufficient local production. Hopefully, the products will be made more affordable to the consumers due to the duty remission.

### Harmonization of export duty on raw hides and skins

#### The measure

The EAC Partner States have agreed to harmonize the export duty rate on raw hides and skins at **80%** of FOB value or **USD 0.52 per kg** whichever is higher.

#### Who will be affected

Exporters of raw hides and skins.

#### Our view

This is a move aimed at discouraging smuggling of raw hides and skins due to each Partner State currently applying a different export duty rate.

## Stay of Application

### The measure

The EAC Council of Ministers have approved the stay of application of CET on several items including:

1. Increase in import duty rates from **10%** to **25%** on the following items :
  - Electronic integrated circuits.
  - Paper and paperboard products
  - Hot rolled and other bars and rods of alloy steel
  - Made-up fishing nets
  - Towers and lattice masts
  - Prefabricated buildings
  - Iron and steel products
  - Finished products of iron and steel i.e. bridges and bridge sections; equipment for scaffolding, shuttering, propping or pit propping ;screws and bolts; Bars, rods, sections, angles, shapes, ribs, grooves or other deformations produced during the rolling process;
  - Oil ,air and petrol filters of combustion engines
  - Gas cylinders
  - Sim cards and smart cards
  - Aluminium milk cans
2. Increase in import duty rate of other flat rolled products of iron and non-alloy steel not further worked than hot rolled from **0%** to **10%**
3. Decrease in import duty rate for aluminium alloy sheets from **25%** to **10%**

### Who will be affected

Importers, manufacturers, consumers.

### Our view

Kenya applied to the EAC Council of Ministers to be granted a stay of application of CET to enable it apply a higher import duty rate on several products which are locally manufactured in a bid to shield local industries from competition arising from cheap imports.

The Cabinet Secretary responsible for Finance had indicated in his budget statement that Kenya had applied for the withdrawal of the stay of application of CET on paper and paperboard products and revert to **10%** import duty rate. However it appears that was not approved as per the gazette notice meaning paper and paper board products will attract import duty at **25%**.



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