
HIGHLIGHTS OF THE TAX LAWS (AMENDMENT) ACT, 2020



1.1: INTRODUCTION

TIMES
TOWER

The Tax Laws (Amendment) Act which was assented to on 25th April 2020 amends various tax legislations to among others, give effect to the Presidential Directives of 25th March 2020 meant to cushion Kenyans against the economic effects of the Covid-19 pandemic.

As per the presidential directive the following fiscal measures have been effected by the Act:

- a. 100 % tax relief for persons earning gross monthly income of up to KShs. 24,000;
- b. reduction of personal income tax top rate (PAYE) from 30% to 25%;
- c. reduction of resident corporation income tax (CIT) rates from 30% to 25%;
- d. reduction of the turnover tax rate from the current 3% to 1% for all Micro, Small and Medium Enterprises (MSMEs);

In addition to the above, reduction of the VAT rate from 16% to 14%, **effective 1st April, 2020 vide Legal Notice No. 35, The Value Added Tax (Amendment of the Rate of Tax) Order, 2020.**

The provisions of the Act, shall come into effect as follows: -

1. The amendment to the provision on the determination of the taxable value of petroleum products under the VAT Act - **15th May 2020**
2. The rest of the amendments - **25th April 2020** (Date of Assent)





1.2:

ANALYSIS OF THE
PROVISIONS OF THE ACT

ACT	AMENDMENTS				
VALUE ADDED TAX ACT	1. Taxable Value of Petroleum Products Excise duty, fees and other charges which were previously excluded from the determination of taxable value of petroleum products will now be included in computation of taxable value of these products for VAT purposes. The effective date of this amendment is 15th May 2020				
	2. Issuance of Credit Notes The law requires that a credit note be issued within 6 months from the date of the tax invoice. However, the law has now been amended to provide that where there is a commercial dispute in court with regard to the price payable, which takes more than six months to resolve, a credit note will be issued within 30 days after determination of the dispute.				
	3. Refund of tax on bad debts The period within which a refund for VAT bad debts is to be applied for has been reduced from 5 years to 4 years. The change is to align the refund of tax on bad debts to the provisions in the Excise Duty Act for harmonized application.				
	4. Keeping of records The Act has been amended to provide that all persons, whether registered for VAT or not, should maintain transaction records for a five-year period. This is to align the provision with the amendments introduced under the Finance Act, 2019 to require even non-registered persons to account for VAT on imported services.				
	5. Reclassification of Supplies for VAT Various supplies have been re-classified as either taxable at the standard rate of 14% or as exempt: - A. First Schedule, Part I Section A (Goods)				
No.	Paragraph	Item	Previous VAT Status	New VAT Status	
1.	27	Plants and machinery of Chapter 84 and 85 used for manufacture of goods.	Exempt	14%	
2.	29	Taxable supplies, excluding motor vehicles for direct and exclusive use in the construction of a power generating plant	Exempt	14%	
3.	30	Taxable supplies, excluding motor vehicles, for direct and exclusive use in geothermal, oil or mining prospecting or exploration	Exempt	14%	

ACT		AMENDMENTS			
	4.	30A	Taxable supplies procured for the construction of liquefied petroleum gas storage facilities	Exempt	14%
	5.	52	Plastic bag biogas digesters	Exempt	14%
	6.	52A	Biogas	Exempt	14%
	7.	52B	Leasing of biogas producing equipment	Exempt	14%
	8.	53	Parts for the assembly of computers	Exempt	14%
	9.	55	Taxable goods purchased or imported for direct and exclusive use in the construction and infrastructural works in industrial parks of one hundred acres or more including those outside special economic zones approved by the Cabinet Secretary for the National Treasury	Exempt	14%
	10.	60	Museum and natural history exhibits and specimens and scientific equipment for public museums.	Exempt	14%
	11.	61	Chemicals, reagents, films, film strips and visual aid equipment imported or purchased prior to clearance through the customs by the National Museums of Kenya	Exempt	14%
	12.	88	Goods falling under tariff number 4907.00.90.	Exempt	14%
	13.	93	Materials for the construction of grain storage	Exempt	14%
	14.	94	The transfer of a business as a going concern.	Exempt	14%
	15.	96A	Personal protective equipment, including facemasks, for use by medical personnel in registered hospitals and clinics or by members of the public in the case of a pandemic or a notifiable infectious disease.	14%	Exempt
	16.	97	Taxable goods supplied to marine fisheries and fish processors.	Exempt	14%
	17.	102	Goods purchased for direct and exclusive use in the implementation of projects under a special operating framework arrangement with the Government.	Exempt	14%



ACT		AMENDMENTS		
B. First Schedule, Part II - Services				
No.	Paragraph	Item	Previous VAT Status	New VAT Status
18.	10	Insurance agency, insurance brokerage, securities exchange brokerage from paragraph 10. Tea and coffee brokerage services have been retained as exempt.	Exempt	14%
19.	22	Taxable services provided for direct and exclusive use in the construction and infrastructural works in industrial parks.	Exempt	14%
20.	28	Taxable services procured for the construction of liquefied petroleum gas storage facilities.	Exempt	14%
21.	30	Asset transfers and other transactions related to the transfer of assets into real estate investment trusts and asset backed securities	Exempt	14%
22.	31	Services purchased for direct and exclusive use in the implementation of projects under special operating framework arrangements with the Government.	Exempt	14%
C. Second Schedule, Part C – (Medicaments)				
No.	Paragraph	Item	Previous VAT Status	New VAT Status
23.	3002.20.00	Vaccines for human medicine.	0%	Exempt
24.	3002.30.00	Vaccines for veterinary medicine	0%	Exempt
25.	3003.10.00	Medicaments Containing penicillin or derivatives thereof, with penicillanic acid structure, or streptomycin or their derivatives.	0%	Exempt
26.	3003.20.00		0%	14%
27.	3003.39.00	Other medicaments, containing hormones or other products of heading No. 29.37 but not containing antibiotics, not put up in measured doses or in forms or packings for retail sale.	0%	Exempt

ACT		AMENDMENTS			
	28.	3003.40.00	Medicaments containing alkaloids or derivatives thereof but not containing hormones or other products of heading No. 29.37 or antibiotics, not put up in measured doses or in forms or packings for retail sale	0%	Exempt
	29.	3003.90.00	Other	0%	Exempt
	30.	3003.90.10	Infusion solutions for ingestion other than by mouth not put up in measured doses or in forms or packings for retail sale.	0%	Exempt



ACT		AMENDMENTS			
	31.	3003.90.90	Other medicaments (excluding goods of heading No. 30.02, 30.05 or 30.06) consisting of two or more constituents which have been mixed together for therapeutic or prophylactic uses, not put up in measured doses or in forms or packings for retail sale.	0%	Exempt
	32.	3004.10.00	Medicaments containing penicillins or derivatives thereof, with a penicillanic acid structure, or streptomycins or their derivatives, put up in measured doses or in forms or packings for retail sale.	0%	Exempt
	33.	3004.20.00	Medicaments containing other antibiotics, put up in measured doses or in forms or packings for retail sale.	0%	Exempt
	34.	3004.32.00	Medicaments containing adrenal cortical hormones, put up in measured doses or in forms or packings for retail sale.	0%	Exempt
	35.	3004.39.00	Other medicaments containing hormones or other products of heading No. 29.37 but not containing antibiotics, put up in measured doses or in forms or packings for retail sale.	0%	Exempt
	36.	3004.41.00	Containing ephedrine or its salts	0%	Exempt
	37.	3004.42.00	Containing pseudoephedrine (INN) or its salts	0%	Exempt
	38.	3004.43.00	Containing norephedrine or its salts	0%	14%
	39.	3004.49.00	Other	0%	Exempt
	40.	3004.50.00	Other medicaments containing vitamins or other products of heading No. 29.36 put up in measured doses or in forms or packings for retail sale.	0%	Exempt
	41.	3004.90.00	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.	0%	Exempt
	42.	3004.90.90	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.	0%	Exempt

ACT	AMENDMENTS
INCOME TAX ACT	<p>1. Definition of Qualifying Interest The definition of qualifying interest has been amended to capture interests paid to individuals by both financial & non-financial institutions. The withholding tax on such interest is final. This amendment brings fairness on the tax treatment of interest paid to individuals by both financial and non-financial institutions.</p> <p>2. Electricity Expense Deletion of allowable deduction of an additional 30% electricity above the normal electricity expense awarded to manufacturers. This provision was introduced vide the Finance Act 2018</p>



ACT	AMENDMENTS	
	3. Income Tax Exemptions Various income tax exemptions have been deleted as they are not achieving their intended objectives and are significantly eroding the tax base. Some of the exemptions were also deemed to be outdated. The following exemptions have been deleted from the First Schedule:-	
	1) Paragraph 4	The income of all the institutions listed in paragraph 4 which the Tea Board of Kenya, Pyrethrum Board of Kenya, Sisal Board of Kenya, Kenya Dairy Board, among others.
	2) Paragraph 7	Profits or gains of the Agricultural Society of Kenya
	3) Paragraph 9	Interest on any tax reserve certificates which may be issued by authority of the Government
	4) Paragraph 18	Any payment in respect of disturbance made to was employees in the public service of any of those governments or of the Community
	5) Paragraph 25	The emoluments of any officer of the Desert Locust Survey who is not resident in Kenya.
	6) Paragraph 28	Any education grant paid by the Government of the United Kingdom under any agreement between that Government and the Government of Kenya.
	7) Paragraph 29	The income received by way of remuneration under any contract which was entered into consequent upon financial assistance being received from the International Co-operation Administration
	8) Paragraph 30	The income received by virtue of their employment by citizens of the United States of America who are employed by the Department of Agriculture of the United States of America on research work in co-operation with Government.
	9) Paragraph 31	Gains or profits resultant from any reward paid by the United Kingdom Atomic Energy Authority for the discovery of uranium ore in Kenya
	10) Paragraph 32	All income of any non-resident person not having a permanent establishment in Kenya and which consists of interest or management and professional fees paid by the Tana River Development Company Limited or its successors in title
	11) Paragraph 33	Such part of the income of the East African Power and Lighting Company
	12) Paragraph 34	The income of the General Superintendence Company Limited
	13) Paragraph 36	Exemption of CGT on gains made by an individual from : - shares in the stock or funds of the Government, the High Commission or the Authority established under the Organization or the Community; shares of a local authority; and land which has been adjudicated under the Land Consolidation Act or the Land Adjudication Act when the title to that land has been registered under the Registered Land Act and transferred for the first time.
	14) Paragraph 40	Interest earned on contributions paid into the Deposit Protection Fund

ACT		AMENDMENTS	
	15) Paragraph 41	Interest paid on loans granted by the Local Government Loans Authority	
	16) Paragraph 46	Dividends received by a registered venture capital company, special economic zone enterprises, developers and operators licensed under the Special Economic zones Act	
	17) Paragraph 47	Gains arising from trade in shares of a venture company earned by a registered venture capital company	
	18) Paragraph 52	Interest income generated from cash flows passed to the investor in the form of asset-backed securities.	
	19) Paragraph 55	Dividends paid by Special Economic Zone Enterprise, developers or operators to any non-resident person	
	20) Paragraph 56	Compensating tax accruing to a power producer under a power purchase agreement.	
	21)	The whole of Part II (securities, the interest on which is exempt from tax) of the First Schedule	
	<p>4. Overhaul of Capital Allowances</p> <p>The Second Schedule to the Income Tax Act which dealt with capital allowances has been repealed and replaced with new Second Schedule titled “Investment Allowance” whose key highlights are as follows:-</p> <p>a) The rate of capital allowances has been rationalized to a maximum of 100%.</p> <p>b) Claims to be made on a reducing balance basis.</p> <p>c) Decelerated claims: - 50% in the first year of investment and the residual to be claimed at different rates (10% or 25%) on a reducing balance.</p> <p>The rates of deduction are as follows:-</p>		
	Capital expenditure incurred on:		Rate of Investment Allowance
	(a) Buildings–		
	(i) Hotel building		50% in the first year of use
	(ii) Building used for manufacture		50% in the first year of use
	(iii) Hospital buildings		50% in the first year of use
	(iv) Petroleum or gas storage facilities		50% in the first year of use
	(v) Residual value to item (a) (i) to (a)(iv)		25% per year, on reducing balance
	(vi) Educational buildings including student hostels		10% per year, on reducing balance
	(vii) Commercial building		10% per year, on reducing balance

ACT	AMENDMENTS	
	(b) Machinery –	
	1. Machinery used for manufacture	50% in the first year of use
	2. Hospital equipment	50% in the first year of use
	3. Ships or aircrafts	50% in the first year of use
	4. Residual value items (b) (i) to (b)(iii)	25% per year, on reducing balance
	5. Motor vehicles and heavy earth moving equipment	25% per year, on reducing balance
	6. Computer and peripheral computer hardware and software, calculators, copiers and duplicating machines	25% per year, on reducing balance
	7. Furniture and fittings	10% per year, on reducing balance
	8. Telecommunications equipment	10% per year, on reducing balance
	9. Filming equipment by a local film producer licensed by the Cabinet Secretary responsible for filming	25% per year, on reducing balance
	10. Machinery used to undertake operations under a prospecting right	50% in the first year of use and 25% per year, on reducing balance
	11. Machinery used to undertake exploration operations under a mining right	50% in the first year of use and 25 per year, on reducing balance
	12. Other machinery	10% per year, on reducing balance
	(c) Purchase or an acquisition of an indefeasible right to use fibre optic cable by a telecommunication operator	10% per year, on reducing balance
	(d) Farmworks	50% in the first year of use and 25% per year, on reducing balance
	<p>Notes: The Business Laws (Amendment) Act, 2020 which came into effect on 18th March 2020, introduced an investment deduction of 150% where capital expenditure of at least Kshs. 5 Billion is incurred in the construction of bulk storage and handling facilities for supporting the Standard Gauge Railway (SGR) operations.</p> <p>With the repeal of the Second Schedule, a transitional provision has been provided for this deduction to continue to be in force until 31st December 2021.</p>	



ACT	AMENDMENTS																								
	<p>Turnover Tax</p> <p>The Finance Act, 2019 re-introduced Turnover Tax (TOT) at the rate of 3% of the gross receipts of the business payable monthly. To enhance compliance in this sector, the following amendments have been introduced to Turnover Tax provisions: -</p> <ul style="list-style-type: none"> (a) Reduction the rate of ToT from 3% to 1% of the gross receipts of the business, payable monthly; (b) Increase of the threshold from the current Kshs 5 million to Kshs 50 million per year; (c) Introduction of a minimum threshold of Kshs 1,000,000; (d) Incorporated entities falling within the provided thresholds will be able to register for ToT; (e) Deletion of provisions on presumptive tax. 																								
	<p>1. Rates of Income Tax</p> <p>Reduction of personal income tax top rate from 30% to 25%, and provision of 100% tax relief for persons earning gross monthly income of up to Kshs. 24,000.</p> <p>Increase in personal relief from Kshs 16,896 per year (Kshs 1,408 per month) to Kshs 28,800 per year (Kshs 2,400 per month).</p> <p>The individual rates have been amended as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Annual income</th> <th style="text-align: left;">Rate in each Shilling</th> </tr> </thead> <tbody> <tr> <td>On the first Shs.288,000</td> <td>10%</td> </tr> <tr> <td>On the next Shs.200,000</td> <td>15%</td> </tr> <tr> <td>On the next Shs. 200,000</td> <td>20%</td> </tr> <tr> <td>On all income above Shs. 688,000</td> <td>25%</td> </tr> <tr> <td>Annual Personal Relief</td> <td>Kshs. 28,800</td> </tr> </tbody> </table> <p>The monthly breakdown is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Monthly amount</th> <th style="text-align: left;">Tax Rate</th> </tr> </thead> <tbody> <tr> <td>On the first 24,000</td> <td>10%</td> </tr> <tr> <td>On the next 16,667</td> <td>15%</td> </tr> <tr> <td>On the next 16,667</td> <td>20%</td> </tr> <tr> <td>On all income above 57,334</td> <td>25%</td> </tr> <tr> <td>Monthly Personal Relief</td> <td>Kshs. 2,400</td> </tr> </tbody> </table>	Annual income	Rate in each Shilling	On the first Shs.288,000	10%	On the next Shs.200,000	15%	On the next Shs. 200,000	20%	On all income above Shs. 688,000	25%	Annual Personal Relief	Kshs. 28,800	Monthly amount	Tax Rate	On the first 24,000	10%	On the next 16,667	15%	On the next 16,667	20%	On all income above 57,334	25%	Monthly Personal Relief	Kshs. 2,400
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ACT	AMENDMENTS
	<p>2. Tax Rates for Pension Payments The tax rates on pension payments have been adjusted accordingly in line with the new individual tax rates.</p>
	<p>1. Withholding Tax on Dividends Withholding tax on dividends paid to non-residents has been increased from 10% to 15%.</p> <p>2. Withholding Tax on Sales Promotion, Marketing, Advertising & Transportation of Goods To expand the tax base, withholding tax (WHT) has been introduced on payments made to non-residents for sales promotion, marketing, advertising services, and transportation of goods (excluding air and shipping transport services).</p> <ul style="list-style-type: none"> • The WHT rate is 20% of the gross amount payable to the non-resident person. • The WHT shall however not apply to payments for transportation of goods made to EAC citizens. <p>3. Withholding Tax on Insurance Re-insurance Premiums WHT shall not apply to insurance and reinsurance premiums paid to non-residents for aviation insurance which covers aircrafts, cargo and passengers.</p>



ACT	AMENDMENTS
	<p>1. Corporate Income Tax Rates</p> <p>The resident Corporate Income Tax rate has been reduced from 30% to 25% to give effect to the president's directive to reduce the rate.</p> <p>The reduced rate is meant to cushion resident companies from the economic effects of COVID-19 and at the same time make Kenya a competitive destination for companies.</p> <p>The preferential corporate income tax rates listed below have been deleted and will now be subject to 25% corporate income tax rate: -</p> <ul style="list-style-type: none"> • In the case of a company newly listed on any securities exchange approved under the Capital Markets Authority Act with at least 20% of its issued share capital listed, 27% for the period of three years commencing immediately after the year of income following the date of such listing; • In the case of a company newly listed on any securities exchange approved under the Capital Markets Act with at least 30% of its issued share capital listed, 25% for the period of five years commencing immediately after the year of income following the date of such listing; • In the case of a company newly listed on any securities exchange approved under the Capital Markets Act which has at least 40% of its issued share capital listed, 20% for the period of five years commencing immediately after the year of income following the date of such listing. • In the case of a company introducing its shares through listing or any securities exchange via introduction, 25% for the period of five years commencing immediately after the year of income following the date of such listing. • In the case of a company engaged in business under a special operating framework arrangement (SOFA) with the Government, the rate of tax shall be to the extent provided in the arrangement – Companies which are currently under SOFA will continue enjoying the agreed preferential CIT rate for the specified period in the agreement; • In the case of a company operating a plastics recycling plant, fifteen percent for the first five years from the year of commencement of its operations.



ACT	AMENDMENTS
EXCISE DUTY ACT, 2015	<p>1. Definition of “other fees” charged by financial institutions The definition of “other fees” has been amended to provide clarity that excise duty will apply to fees, charges or commissions charged by financial institutions relating to their licensed activities.</p> <p>2. Deletion of Excise Duty Exemptions The following items have been deleted from the Exemption Schedule: -</p> <ul style="list-style-type: none"> a. Goods imported or purchased locally for direct and exclusive use in the implementation of projects under special operating framework arrangements with the Government; b. One personal motor vehicle, imported by a public officer returning from a posting in a Kenyan mission abroad and another motor vehicle by his or her spouse – Returning public officers are already entitled to exemption as persons changing residence or returning residents.
TAX PROCEDURES ACT, 2015	<p>1. Private Rulings The following amendment have been made to the provisions on private rulings: -</p> <ul style="list-style-type: none"> a. The number of days, from the date of application, within which the Commissioner is required issue a private ruling has been extended from 45 days to 60 days. b. The Commissioner is no longer required to publish private rulings. This ensures the Commissioner does not break confidentiality requirements under the law <p>2. Late Filing Penalties The late filing penalty for Turnover Tax has been reduced from Kshs. 5,000 to Kshs. 1000, to make it less punitive to small taxpayers.</p>
MISCELLANEOUS FEES AND LEVIES ACT, 2016	<p>1. Purpose of Railway Development Levy (RDL) The purpose of the levy has been expanded to provide that the funds shall be used for the operation of a standard gauge railway (SGR) network, in addition to the construction. This ensures funds are available for the operations of the SGR.</p> <p>2. Processing Fee on Duty Free Vehicles The processing fee of Kshs. 10,000, for duty free motor vehicles which was previously provided for under the repealed Customs and Excise Act (Cap. 472) is now anchored under the Miscellaneous Fees and Levies Act. The fees are meant to cover the expenses incurred in clearance of duty free motor vehicles.</p>

ACT	AMENDMENTS
	<p>3. Import Declaration Fees (IDF) Exemptions The following items have been deleted from the list of items exempt from Import Declaration Fee (IDF) -</p> <ul style="list-style-type: none"> a. gifts or donations, excluding motor vehicles, by foreign residents to their relatives in Kenya for their personal use; b. samples which in the opinion of the Commissioner have no commercial value; c. raw materials for direct and exclusive use in construction by developers or investors in industrial parks; d. goods imported for the construction of liquefied petroleum gas storage facilities as approved by the Cabinet Secretary responsible for liquefied petroleum gas. <p>4. Railway Development Levy (RDL) Exemptions 1) The following items have been deleted from the list of items exempt from Railway Development Levy (RDL) -</p> <ul style="list-style-type: none"> a. raw materials for direct and exclusive use in construction by developers or investors in industrial parks; b. goods imported for the construction of liquefied petroleum gas storage facilities as approved by the Cabinet Secretary responsible for liquefied petroleum gas; c. goods imported for implementation of projects under a special operating framework arrangement with the Government.
<p>KENYA REVENUE AUTHORITY ACT (CAP 469)</p>	<p>1. Reward for Information Leading to Enforcement of Tax Laws A reward of Kshs. 500,000 will be payable for information provided to the Commissioner that leads to the enforcement of the tax laws. This is meant to encourage individuals to provide information to the Authority that would assist in the enforcement of tax laws and enhancement of border security.</p> <p>2. Appointment of Agents KRA has been empowered to appoint agent banks for collection of tax revenue-</p> <ul style="list-style-type: none"> a. The terms of reference for the appointment will be stipulated in agreement between the Authority and the Bank; b. The appointed banks are required to transfer the funds collected within two days following the date of collection; c. The penalty for late remittance is 2% of the revenue collections not transferred and shall be compounded for every other day on the amount not transferred; d. The penalty is a tax debt due to the government and enforcement measures for collection and recovery of tax shall apply.



ANNEXES

PUBLIC NOTICES

Public Notice

Taxation of Emoluments/Pensions

Kenya Revenue Authority (KRA) informs employers, employees and the general public that following the presidential directive, amendments have been introduced to the Income Tax Act by reducing the rates of tax applicable on personal emoluments and pension receipts with effect from 25th April 2020.

KRA notifies all employers that the enactment into law of reduced rates of tax, shall apply for the month of April 2020. The following new individual monthly and annual tax rates shall be applicable in deducting and remitting Pay As You Earn (PAYE) taxes on emoluments/pensions from employees are as follows:

PAYE Tax Bands	Rate of Tax
On the First Shs 24,000 (288,000 p.a)	10%
On the next Shs 16,667 (200,000 p.a)	15%
On the next Shs 16,666 (200,000 p.a)	20%
On all income amounts in excess of Shs 57,334 (688,000)	25%
Monthly personal Relief Ksh 2,400 (28,800 annually)	

On pensions the new tax rates are:

Pension Tax Bands	Annual Tax Rates
Any amount in excess of tax free amounts:	
On first 400,000	10%
On next 400,000	15%
On next 400,000	20%
On any amount in excess of Ksh 1,200,000	25%

Please note that the due date for remittance of PAYE taxes remains on or before 9th of the following month.

For clarification please call the contact centre on Tel: 020 4 999 999 or 0711 099 999 or Email: callcentre@kra.go.ke

Commissioner for Domestic Taxes

TAX LEGISLATIVE CHANGES CONTAINED IN LEGAL NOTICE NO. 35 OF 2020 AND BUSINESS LAWS (AMENDMENT) ACT, 2020.

Kenya Revenue Authority wishes to inform registered taxpayers and the general public on the changes in tax laws contained in Legal Notice No. 35 of 2020 and Business Laws (Amendment) Act, 2020.

VAT ACT, 2013

Following measures taken by the government to mitigate the effects of COVID-19, the government has through Legal Notice number 35 of 2020, reduced the rate of VAT from 16% to 14% with effect from 1st April, 2020. The change shall affect the VAT returns to be submitted after April, 2020.

INCOME TAX ACT, CAP 470

Business Laws (Amendment) Act, 2020 amended the Income Tax Act to provide for investment deduction equal to one hundred and fifty percent of the capital expenditure of at least five billion shillings incurred on the construction of bulk storage and handling facilities for supporting the Standard Gauge Railway operations of a minimum storage of one hundred thousand metric tonnes of supplies.

EXCISE DUTY ACT, 2015

The Business Laws (Amendment) Act, 2020, amended the First Schedule to the Excise Duty Act, 2015 by imposing excise duty on imported glass bottles (excluding imported glass bottles for packaging of pharmaceutical products) at a rate of 25%.

For further clarification and facilitation, please contact the Contact Centre on Tel: 020 4 999 999, 0711 099 999 or Email callcentre@kra.go.ke. You may also visit the nearest KRA office or Huduma Centre.

Commissioner of Domestic Taxes

USE OF ALTERNATIVE DISPUTE RESOLUTION (ADR) IN TAX & CUSTOMS DISPUTES

The use of Alternative Dispute Resolution (ADR) mechanism in resolving disputes is anchored under Article 159(2) (c) of the Constitution of Kenya 2010. In conformity with this provision, Kenya Revenue Authority (KRA) embraced the use of ADR in resolving Tax and Customs disputes in the year 2015 and has made tremendous steps in this area. Section 55 of the Tax Procedures (TPA) Act, 2015 and Section 28 of the Tax Appeals Tribunal (TAT) Act allow parties to resolve their disputes through ADR and provide the timelines within which the disputes should be resolved.

Thus the use of ADR is not only time and cost effective but also serves to expedite the resolution of tax and customs disputes with KRA while preserving relationships. The process is voluntary, confidential, friendly, and results to a win-win outcome for the parties. Further, the ADR process is absolutely free.

KRA encourages taxpayers with tax and customs disputes to consider the use of ADR as a way of resolving those disputes. The KRA ADR Framework is available on the KRA website (www.kra.go.ke)

For any inquiries, please call us on +254709017026 or visit us at our offices at Ushuru Pension Towers, Block B, 7th Floor.

COMMISSIONER- LEGAL SERVICES & BOARD COORDINATION

SERVICE OF COURT AND TAX APPEALS TRIBUNAL DOCUMENTS

The Kenya Revenue Authority (KRA) wishes to inform members of the public that service of Court and Tax Appeal Tribunal documents shall now be done through the following email address:

LegalServices@kra.go.ke

For clarification, please contact us on +254709016188.

COMMISSIONER-LEGAL SERVICES & BOARD COORDINATION DEPARTMENT

**SERVICE OF DOCUMENTS IN SUPPORT OF OBJECTIONS TO VAT
AUTOMATED AUDIT (VAA) ASSESSMENT**

The Kenya Revenue Authority wishes to inform all our esteemed customers that all documents in support of objections to VAT Automated Audit (VAA) Assessments for VAT Returns for the period January 2018 to May 2018 should be scanned and sent to the following e-mail address:

VAAlegalservices@kra.go.ke

For clarification, kindly contact us on +254709011688.


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