2024/25 budget brief

Theme: Sustaining Bottom-up Economic Transformation Agenda, Fiscal Consolidation and Investing in Climate Change Mitigation and Adaptation for Improved Livelihoods.

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Kenya | June 2024

1 Economic Highlights

Global Highlights

- The pace of global real Gross Domestic Product (GDP) growth decelerated to 3.1 percent in 2023, down from 3.5 percent in 2022. This slowdown was more pronounced in the advanced economies compared to Emerging Markets and Developing Economies (EMDEs). This slowdown was primarily driven by residual disruptions from the COVID-19 pandemic, ongoing geopolitical tensions due to the Russia-Ukraine conflict, and the adoption of tighter monetary policies across various economies.

- Advanced economies saw their growth diminish to 1.6 percent in 2023, compared to 2.6 percent in 2022, mainly due to tighter monetary conditions within these nations and slower-than-anticipated growth in the Euro Area.

- Growth in Emerging Markets and Developing Economies (EMDEs) remained at 4.1 percent in the period under review. This growth was primarily supported by easing of financial conditions, strong domestic demand and increased investments.

- Further, global inflation saw a notable decrease, dropping from 8.7 percent in 2022 to 6.8 percent in 2023. This reduction was influenced by lower energy prices, the easing of supply chain disruptions, and tighter monetary policies which were aimed at gradually aligning aggregate demand with supply.

- The volume of global trade also experienced a significant decline, growing by just 0.4 percent in 2023 compared to a robust 5.2 percent growth in 2022. This decline was largely due to base effects as the global economy continued to normalize following the COVID-19 recovery phase. However, global unemployment improved slightly, with the rate declining to 5.1 percent in 2023 from 5.3 percent in 2022, attributed to expansion of employment opportunities, particularly in advanced economies.

- For the year 2024, it is forecasted that the global economy will grow at a similar pace as 2023. However, this growth rate will be slower than historical averages of 3.8% as experienced between 2000 to 2019. Key drivers for the lower-than-expected growth include restrictive monetary policies, withdrawal of fiscal support, low underlying productivity growth, as well as escalating geopolitical fragmentations that could result in higher commodity prices, despite a projected decline in inflation.

(GDP) growth decelerated to 3.1 percent in 2023, down from 3.5 percent in 2022.

Economic Highlights

Africa Highlights

- The African economy is anticipated to grow by 3.7 percent in 2024 and 4.3 percent in 2025, showcasing the resilience of African economies.
- This growth is expected to be driven by improvements in global economic conditions and the implementation of effective policy measures. Consequently, Africa is set to remain the second-fastest growing region worldwide, with 40 countries projected to achieve higher growth rates compared to 2023.
- In the Sub-Saharan Africa (SSA) region, real GDP growth slowed to 3.3 percent in 2023, down from 4.0 percent in 2022. This decline was particularly evident in three of the region's largest economies—Nigeria, South Africa, and Angola—which all recorded slower growth rates.
- Inflation in the SSA region increased from 14.5% in 2022 to 15.8% in 2023, despite a decline in inflation rates at a global level. A key driver for the increase in inflation is high inflation in Ghana, Ethiopia and Nigeria. Despite this, inflation in 40% of countries in SSA region was on a downward trajectory.
- The East African Community (EAC) also experienced a deceleration, with growth declining to 5.0 percent in 2023 from 5.2 percent in 2022. This slowdown was primarily due to fluctuations in commodity prices and budgetary challenges.

The African economy is anticipated to grow by 3.7 percent in 2024

The East African Community (EAC) also experienced a deceleration, with growth declining to 5.0 percent in 2023 from 5.2 percent in 2022

Kenya Highlights

- Since 2020, Kenya has been grappling with global supply chain disruptions and the effects of climate change, ranging from a drought in 2021 to extreme floods in 2024. Despite these challenges that have contributed to increased cost of living and food insecurity, in 2023 the real GDP grew by 5.6 percent compared to 4.9 percent in 2022. This robust growth was observed across most economic sectors, with the Agriculture, Forestry, and Fishing sector making a remarkable recovery of 6.5 percent in 2023 compared to a 1.5 percent decline in 2022, largely due to favorable weather conditions.

- Several sectors were key contributors to this overall growth: Information and Communication surged by 9.3 percent, Transportation and Storage grew by 6.2 percent, Financial and Insurance services expanded by 10.1 percent, Real Estate increased by 7.3 percent, and Accommodation and Food Services skyrocketed by 33.6 percent.

- On the downside, the Mining and Quarrying sector experienced a 6.5 percent decline due to reduced production of minerals like titanium and soda ash. Agriculture remained the dominant sector, constituting 21.8 percent of the total GDP.

- Export earnings rose by 15.4 percent to KES 1,007.9 billion, leading to a reduced trade deficit, which decreased from KES 1,617.6 billion in 2022 to KES 1,604.1 billion in 2023.

- In 2024, Kenya successfully refinanced its Eurobond obligations through a USD 1.5 billion buy-back, removing the associated uncertainty that had threatened the country macroeconomic stability. These actions demonstrated confidence in the country's economic credentials, and the government is hopeful that these positive moves will have long-term benefits for economic stability and growth

- Overall inflation declined from 9.6% in October 2022 to 5.1% in May 2024.

  This decline was driven by the easing of food and energy prices, pass-through effects from exchange rate appreciation, and the impact of monetary policy actions. Some of these actions included raising the Central Bank Rate to 10.50 percent in June 2023 and further to 12.50 percent by December 2023, compared to 8.75 percent in December 2022. This adjustment was aimed at counteracting inflationary pressures caused by the depreciation of the Kenyan Shilling against major currencies and elevated global prices.

- Consequently, overall interest rates increased during the year 2023. The interest rate for the 91-Day Treasury bill rose to 15.70 percent in December 2023 from 9.33 percent in December 2022.

- Inter-bank rate jumped to 11.65 percent in December 2023 from 5.39 percent the previous year. Additionally, the average interest rate charged by commercial banks on loans and advances increased to 14.63 percent in December 2023, compared to 12.67 percent in December 2022.

- On the foreign exchange front, the Kenya shilling experienced a significant appreciation against the US Dollar. As of 31 May 2024, the exchange rate was KES 130.2 against the US Dollar, representing an 18.7% appreciation. As a result, there has been an increased confidence in the market which has triggered inflows of foreign direct investment and investors.

- Kenya's economy is forecast to demonstrate resilience in 2024, influenced primarily by a dynamic services sector. Agricultural performance is expected to be strong, aided by predictions of sufficient rainfall and a reduction in global commodity prices, which should lower production costs. Furthermore, the agriculture sector's growth is likely to be supported by the distribution of subsidized fertilizers and seeds.

2 Fiscal Policy Framework for FY 2024/2025 Budget

- According to the Government, the country is experiencing three major challenges: demand for increased public expenditure, a declining debt carrying capacity and limitations in mobilizing higher tax revenues.
- The FY 2024/25 Budget Estimates propose an ambitious fiscal strategy. According to the Budget Statement, the ambition is to reduce the deficit from 5.7% of GDP in FY 2023/24 to 3.3% in FY 2024/25.
- This fiscal plan aims to reduce the gap between actual and target fiscal deficits. It focuses on stabilizing the Debt to GDP ratio, controlling the growth of public debt, and enhancing fiscal and debt sustainability.
- The projected expenditure for FY 2024/25 is KES 3.992 trillion. Out of this, recurrent expenditure is projected at KES 2.84 trillion, development expenditure is projected at KES 707.4 billion, while total allocation to counties is projected at KES 444.5 billion, of which the equitable share of county revenue is KES 400.1 billion.
- To finance the above expenditure, the government projects to raise KES 3.343 trillion, of which ordinary revenue is KES 2.917 trillion, Ministerial Appropriations-in-Aid is KES 426 billion and grants is KES 51.8 billion.
- A comparison of the projected revenue and expenditure indicates that there is a projected deficit of KES 597 billion, inclusive of grants, which is equivalent to 3.3% of GDP. This fiscal deficit will be financed by net external borrowing of KES 333.8 billion and net domestic borrowing of KES 263.2 billion.
- Kenya's fiscal balance has continuously improved, from a deficit of 8.3 percent of GDP in FY 2020/21 to a deficit of 5.6 percent of GDP in FY 2022/23.
- The fiscal policy for FY 2024/25 and the Medium-Term Plan aim to support the Government's Bottom-Up Economic Transformation Agenda by implementing a growth-oriented fiscal consolidation plan. This plan is designed to reduce public debt while ensuring that service delivery is not compromised.

The projected expenditure for FY 2024/25 is

KES 3.992 trillion

Recurrent expenditure is projected at

KES 2.84 trillion

Development expenditure is projected at

KES 707.4 billion

total allocation to counties is projected at

KES 444.5 billion

3 Budget Overview

- On 13 June 2024, the Cabinet Secretary (CS) for the National Treasury & Economic Planning, presented the 2024/2025 budget under the theme: ***"Sustaining Bottom-up Economic Transformation Agenda, Fiscal Consolidation and Investing in Climate Change Mitigation and Adaptation for Improved Livelihoods."***

- In the budget statement, the Government seeks to undertake various strategic interventions to support economic transformation. These include:

  - Maintain macroeconomic stability and enhance security to foster secure and conducive business environment and protection of property.
  - Scale up development of critical infrastructure such as roads, rail, air and seaports.
  - Enhance investments in key economic sectors for broad based sustainable growth by promoting agricultural transformation, manufacturing, environmental conservation and climate change mitigation.
  - Enhance human capital development through investment in health, education and appropriate social safety nets for the vulnerable population.
  - Support the youth, women, and persons living with disability through Government funded empowerment programs.
  - Support county governments through transfer of shareable revenue.
  - Implementation of various policy, legal and institutional reforms to enhance efficiency in public service delivery.

- In his budget statement, the CS indicated that the government's expected expenditure for FY2024/25 is projected at **KES 3.992 trillion**. Out of this, recurrent expenditures will amount to **KES 2.84 trillion** while development expenditures, including allocations to domestic and foreign financed projects, Contingency Fund and Equalization Fund is **KES 707.4 billion**. Total allocation to County Governments is projected at **KES 444.5 billion** of which equitable share is **KES 400.1 billion.**

- The projected total revenue collection, including appropriation-in-aid for the FY 2024/25 budget is **KES 3,343.2 billion.** Of this, ordinary revenue is projected at **KES 2,917.2 billion,** Ministerial Appropriation-in-Aid at **KES 426.0 billion** and Grants at **KES 51.8 billion.**

- Given the projected revenue and grants against the projected expenditure, the fiscal deficit including grants is projected at **KES 597.0 billion**. The fiscal deficit for FY 2024/25 will be financed by net external borrowing of **KES 333.8 billion** and net domestic borrowing of **KES 263.2 billion.**

Budget Overview

- In terms of allocation, the government aims to increase its investment in 5 strategic sectors as follows:
  - Agricultural transformation and inclusive growth;
  - Micro, Small and Medium Enterprises (MSMEs);
  - Housing and settlement;
  - Universal Healthcare Coverage; and
  - Digital superhighway and creative industry.
- A total of **KES 295 billion** has been allocated to the 5 strategic sectors in the FY 2024/25 as follows:

Sector	Allocation
Agricultural transformation and inclusive growth	**KES 54.6 billion**
Transforming MSME economy	**KES 5 billion**
Housing and settlement	**KES 92.1 billion**
Universal healthcare coverage	**KES 127 billion**
Digital superhighway and creative economy	**KES 16.3 billion**

- Other key allocations to thematic areas include:
  - National security - **KES 377.5 billion**
  - Manufacturing - **KES 23.7 billion**
  - infrastructure development **- KES 193.4 billion**
  - Vulnerable Groups – **KES 31.3 billion**
  - Education – **KES 656.6 billion**
  - Equity, Poverty Reduction, Women and Youth Empowerment – **KES 89.5 billion**
  - Tourism, Sports, Culture, Recreation and Arts **- KES 23.7 billion**
  - Environmental Protection, Water and Natural Resources **- KES 10.7 billion**
  - Improving Governance and Sustaining the Fight against Corruption **- KES 4.2 billion**

Budget Overview

Investment in Climate Change Mitigation and Adaptation to Enhance Resilience

Extreme weather events such as floods have had an adverse effect on livelihoods. As a result, funds to be utilized in essential services such as healthcare and education were redirected to adaptation, potentially destabilizing the Kenyan economy.

With the experience from the recent floods, the Government will formulate and implement long-term climate change adaptation and mitigation strategies, to generate strong resilience pathways.

To achieve the above, the Government has proposed various measures such as reforestation to achieve a zero-carbon status by 2050. Another intervention is the ambition to grow 15 billion trees nationwide by 2030.

State Corporation Reforms

The Government is targeting to privatize Government-Owned Enterprises whose mandates are no longer relevant and require huge budgetary allocations for bail outs.

The Government also wants to restructure State Corporations through mergers and/or transfer back to parent ministries to remove duplication of functions and enhance efficiencies and synergies in operations.

To anchor the above in law, the Government is finalizing on the Government Owned Enterprises Bill, 2024.

Financial Sector Reforms

The financial sector plays a critical role in the economy. The Government is targeting three key reforms i.e., licensing and oversight of Digital Credit Providers to address issues such as high cost of credit, issuance of the draft Kenya Green Finance Taxonomy to address climate change related issues and revising the Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Financing supervisory framework to eliminate laundering vulnerability in the banking sector.

Another key proposal to address the risks associated with the financial sector is to progressively increase the minimum core capital for banks from KES 1 billion to KES 10 billion.

Capital Market Reforms

The Capital Markets Authority (CMA) has licensed 14 coffee brokers to enhance price discovery and boost income for coffee farmers.

To further support the above, the CMA approved the direct settlement system to ensure that coffee farmers get due compensation for their produce.

Public Sector Wage Bill Review

The public sector wage bill constitutes 38.2% of total revenue as of 2021.

Given the significance of this amount, some of the interventions the Government is looking at include staff rationalization at county and MDA level, rolling out the Unified Human Resource Information System for the public sector, streamlining of allowances paid to Public Service and addressing the cost in future Collective Bargaining Agreements.

4 Domestic Revenue Mobilisation

According to the Budget Statement, the tax gap is estimated at 11.5% in FY 2022/23 against a potential tax to GDP ratio of 25%.

In the government's view, the gap needs to be addressed urgently to enhance revenue collection.

Some of the key drivers for the lower revenue collection include:

- Existence of hard to tax sectors such as the informal economy.
- High tax expenditure, which is estimated at 2.9% of GDP in 2022.
- Low tax compliance that is largely attributed to factors such as complex tax law and procedures and taxpayer apathy due to perceived inefficient use of tax revenues.
- Difficulties in taxing emerging digital economy.
- Inadequate modern technological equipment for use at entry or exit border points, misdeclaration of goods, inadequate customs border posts, infiltration of counterfeits, smuggling, and diversion of goods.

To address the above issues, the Government seeks to implement the following measures:

- Implementation of tax policies and administration measures proposed in the Finance Bill, 2024 (see some proposals in ensuing pages).
- Implementation of the Medium-Term Revenue Strategy (MTRS) to expand the tax base to 20% of GDP.
- Use of technology to enhance compliance and revolutionalise tax processes to seal revenue loopholes and enhancing the efficiency of tax systems.
- Unlocking potential additional revenues by MDAs through services offered to the public.

On the expenditure front, the Government is looking at the following interventions:

- Rationalise the transfers to Semi-Autonomous Government Agencies (SAGAs) by 30%.
- Reduce expenditure on items such as foreign travel, training among others.
- Suspension of recruitment for one year, audit of public payrolls.
- Minimising government expenditure by leveraging technology.
- Reviewing insurance schemes such as Edu Afya, Indigents, Public Service, Police and Prisons to align it to Social Health Insurance Fund.
- Surrendering of excess funds by SAGAs to the exchequer.

5 Summary of proposed tax measures

Income Tax – Corporation Tax

Introduction of Motor Vehicle Tax

- The CS proposes the introduction of a motor vehicle tax of 2.5% of the value of the vehicle, with a minimum amount of KES 5,000 per annum.
- This proposal seeks to widen the tax base by including motor vehicle owners, given the increase in motor vehicles on Kenyan roads. The proposal comes amidst rising insurance premiums and high fuel prices, which already elevate the cost of vehicle operation in Kenya.
- The CS's proposal did not provide for a cap of KES 100,000 as was proposed in the Finance Bill, 2024.
- This tax is likely to negatively impact the transport and logistics sector, as companies might transfer the additional costs to their customers, leading to a higher cost of living due to the multiplier effect.

Removal of minimum threshold for withholding tax on residents

- The CS proposes to remove the threshold of **KES 24,000** per month, which currently applies to withholding tax on management or professional fees or contractual fees and training fees.
- The justification for the removal of the minimum threshold is that it facilitates tax planning and complicates tax administration.
- If the proposal is enacted, all payments for management, professional, or training fees to resident entities will be subject to a 5% withholding tax, regardless of the amount paid. This change could negatively impact cash flow particularly for small traders and increase compliance costs.

Reduction of Capital Gain Tax

- CGT will be reduced from 15% to 5% for firms certified by the Nairobi International Financial Centre Authority to reinforce Kenya as an attractive jurisdiction for international financial investors and strengthen Kenya's position as a regional hub.
- This proposal is designed to incentivize foreign investors to establish new business or acquire existing ones that are registered or incorporated in Kenya. The anticipated result of this initiative is a significant increase in foreign direct investments in the country.

Reprieve for telecommunication industry

- The CS proposes to extend the 10% capital allowance to include spectrum licenses held by a telecommunication operators.
- Currently, telecommunication companies incur substantial costs for acquiring indefeasible rights to use (IRUs) fibre optic cable and spectrum licenses.
- However, only IRUs are eligible for investment allowances, leading to higher tax liabilities for telecommunication companies due to the ineligibility of spectrum licenses.
- If this proposal is enacted, investments in spectrum licenses will be treated as capital expenditures, making them eligible for investment allowances from the date the provision takes effect.

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Summary of proposed tax measures

Income Tax – Corporation Tax

Introduction of Minimum Top-up tax

- The CS's proposal is aligned to the Organisation for Economic Co-operation and Development's (OECD) Pillar Two framework which seeks to ensure that large multinational groups with a consolidated annual turnover of EUR 750 million and above pay a minimum tax rate of 15 percent on income arising in Kenya.
- The minimum top up tax shall be the difference between 15% of the net income or loss for the year of income for a covered person, and the combined effective tax rate for the year of income, multiplied by the excess profit of the covered person.

Introduction of advance pricing agreements (APA)

- This proposal will allow multinational entities to reach agreements with the Commissioner regarding the pricing of related party transactions, especially for complex transactions where traditional methods might pose challenges and have a high risk of transfer pricing disputes arising in future.

Replacement of Digital Services Tax (DST) with Significance Economic Presence tax

- The CS proposes to replace the Digital Service Tax (DST) with Significant Economic Presence (SEP) tax. The new tax will apply to non-residents persons whose income from the provision of the services is derived from or accrues in Kenya through services provided via a digital marketplace.
- The introduction of SEP tax is expected to substantially close loopholes occasioned under DST where the design of the tax does not capture all taxpayers leading not only to loss of revenue but unfairness in taxations.
- This proposal will substantially increase the tax on income generated through digital marketplaces, which is currently taxed at 1.5% under the DST regime to 6%. Unlike DST, which taxes gross turnover, SEP tax will offer alternative nexus rules to tax the profits of digital businesses.

The CS's proposal is aligned to the Organization for Economic Co-operation and Development's (OECD) Pillar Two framework which seeks to ensure that large multinational groups with a consolidated annual turnover of **EUR 750 million** pay a minimum tax rate of 15 percent on income arising in Kenya.

6 Income Tax – PAYE

Exemption of pension benefits

- The CS proposed exempting from tax the payment of pension benefits from a registered pension fund, registered provident fund, registered individual retirement fund, or the National Social Security Fund (NSSF) for individuals upon reaching the retirement age as stipulated by rules of the specific fund.

- For individuals who opt for early retirement, the tax exemption will apply if they have contributed to the pension scheme for a minimum of 20 years.

Increase in pension allowable deduction

- The CS proposed to increase the allowable pension contribution made by an individual to a registered pension fund from KES 240,000 per annum to KES 360,000 per annum.

- This change is intended to encourage increased savings towards retirement and enhance employees' disposable income, as the pension contribution will be deducted from the gross salary when determining the tax payable.

Expansion of per-diem rates

- The CS proposes amending the tax-free per diem rate from a daily maximum of KES 2,000 to an amount not exceeding 5% of an employee's monthly gross earnings.

- This proposal aims to adjust the per diem rate to reflect the increased cost of living over time but is likely to be counterproductive due to the generally low salaries for a many employees.

Tax deductions on AHL, SHIF and post retirement medical contributions

- Under the proposed changes, tax deductions will be allowed for contributions made by an employee to the Social Health Insurance Fund (SHIF) and for any deductions made under the Affordable Housing Act, 2023, against the taxable income of an individual.

- Additionally, the CS has proposed introducing a tax deduction limited to KES 10,000 per month for contributions made by an individual to a post-retirement medical fund.

- These proposed tax deductions are expected to provide relief for taxpayers by lowering their taxable income and reducing their overall tax burden.

Proposed to increase the allowable pension contribution made by an individual to a registered pension fund from

KES 240,000 per annum to

KES 360,000 per annum

7 Value Added Tax

Rationalization of VAT Expenditure

- The CS indicated the Government's plan to rationalise the VAT expenditure by limiting the goods and services that are zero-rated and exempt. Some of the key proposals highlighted by the CS include:

  i. Finished goods currently exempted will now be subjected to VAT at the 16% standard rate;

  ii. Zero-rated finished goods and services will now be exempt from VAT; and

  iii. Zero rating be restricted to goods and services meant for export**.**

- The above proposals by the CS are in line with the government strategy to reduce expenditure by the government on VAT refunds.

Increase in the VAT Registration threshold.

- The CS is proposing to raise the VAT registration threshold from the current 5 million to 8 million.

- This aims to improve the efficiency of the VAT system and relieve small businesses of the burden of VAT compliance, aligning with the proposals contained in the Medium-Term Revenue Strategy.

Change in input VAT apportioning rule.

- The CS is proposing to abolish the thresholds used in the determination of input VAT for companies supplying both taxable and exempt supplies.

- Currently, entities supplying exempt supplies of more than 90% of the total sales are not entitled to an input VAT deduction. Conversely, entities making exempt supplies of less than 10% are entitled to a full input VAT deduction.

- The proposal is meant to prevent loss of revenue by the Government arising from aggressive tax planning.

8 Customs

Stay of application

The CS indicated that Kenya will be granted stay of application and remission on various items, inputs and raw materials aimed at spurring the manufacturing sector, creating employment in line with Bottom-up Economic Transformation Agenda.

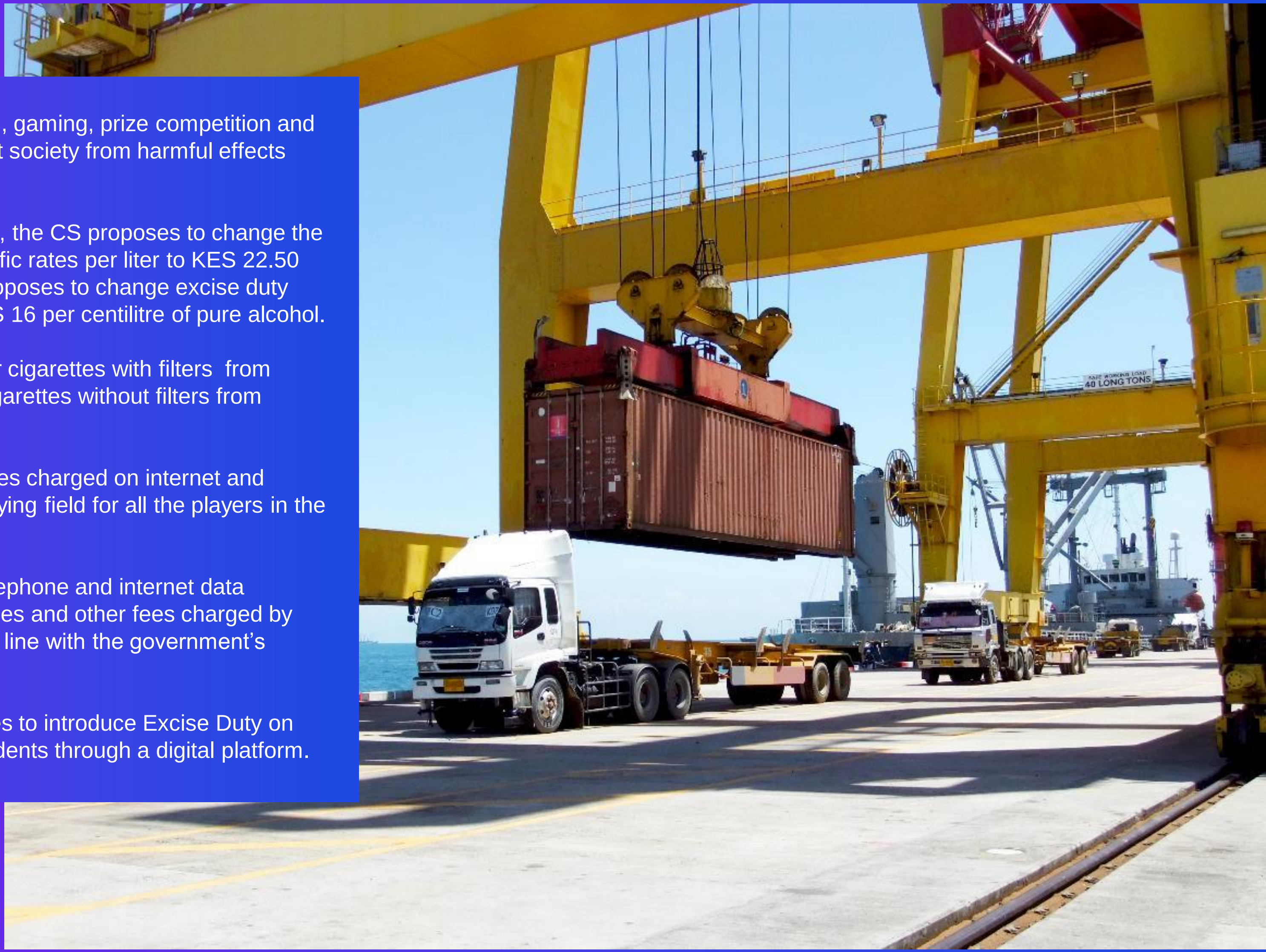
To meet the local demand for rice, Kenya will be granted a stay of application at 35% or USD 200/Metric tonne instead of 75% or USD 345/Metric Tonne. Further, the country will be granted duty remission for wheat at 10% instead of 35% to meet the local demand.

To attract FDI and open the ICT sector, Kenya will be granted Duty Remission on raw materials to be used in the manufacture of mobile phones, laptops and tablets.

To support of local manufactures of vehicle spare parts as well as create jobs, Kenya will be granted stay of application for trailers at 35% and prime movers at 25% instead of the CET rate of 10%.

9 Excise Duty

- The CS proposes to have excise duty on betting, gaming, prize competition and lotteries increased from 12.5% to 20% to protect society from harmful effects associated with these activities.
- In line with the Medium-Term Revenue Strategy, the CS proposes to change the excise duty rates for wines and beer from specific rates per liter to KES 22.50 per centilitre of pure alcohol. Further, the CS proposes to change excise duty rate on spirits from specific rates per liter to KES 16 per centilitre of pure alcohol.
- The CS proposes an increase in excise duty for cigarettes with filters from KES. 4,067.03/mille to KES. 4,100/mille and cigarettes without filters from KES.2,926.41/mille to KES. 4,100/mille.
- The CS proposes to introduce excise duty on fees charged on internet and social media advertisement to create a level playing field for all the players in the industry.
- The CS proposes to increase excise duty on telephone and internet data services, fees charged on money transfer services and other fees charged by financial institutions from 15% to 20%. This is in line with the government's strategy to mobilize and collect more revenue.
- In the spirit of equity in taxation, the CS proposes to introduce Excise Duty on excisable services offered in Kenya by non-residents through a digital platform.



10 Miscellaneous Fees and Levies Act

Exemption of IDF and RDL

- The CS proposes to exempt the National Intelligence Service from paying IDF and RDL on the importation of security equipment and motor vehicles imported for official use.

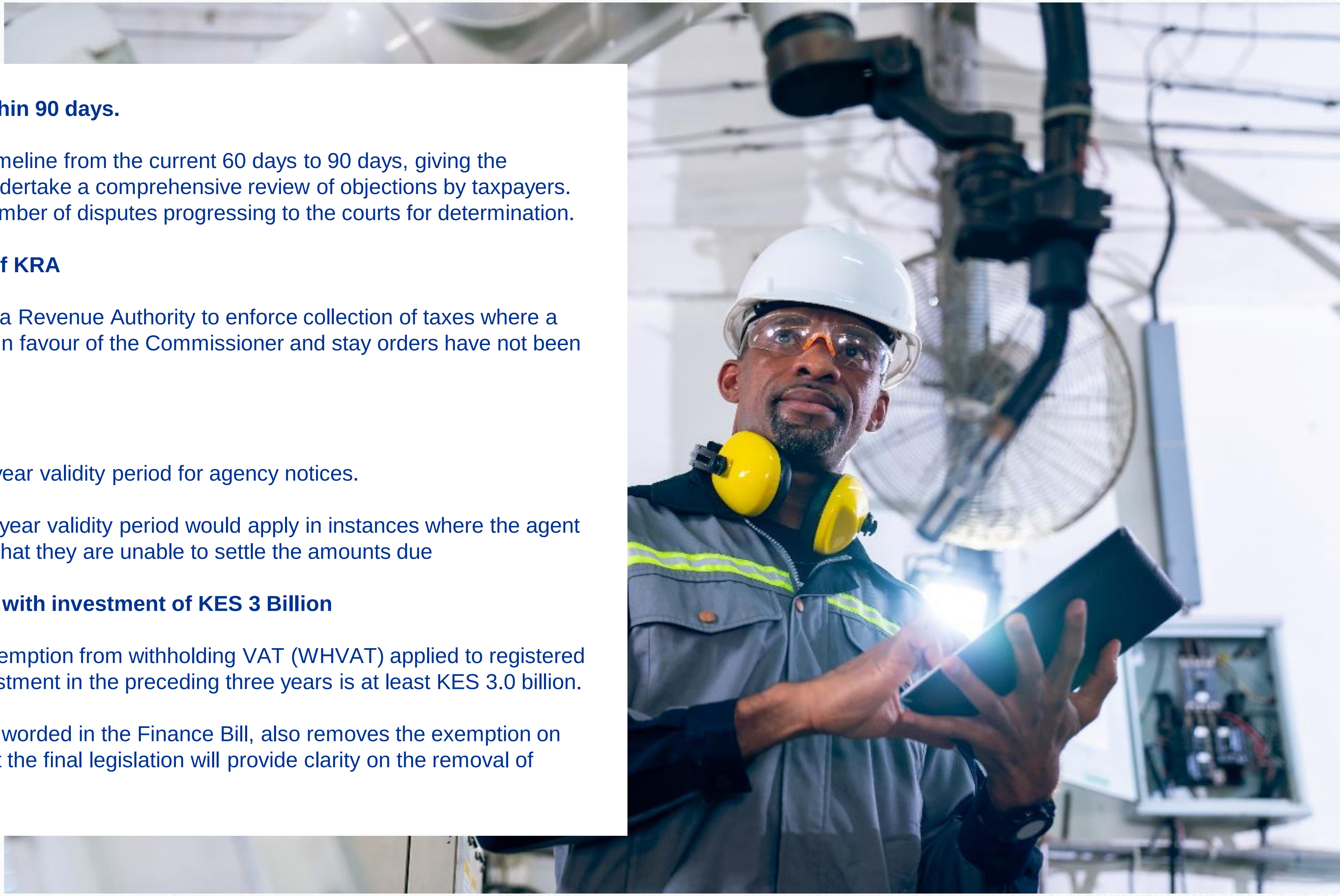
Reduction of the rates for Export and Investment Promotion Levy and increase in scope of the goods

- Export and Investment levy was introduced in 2023 at a rate of 10% or 17.5% of the customs value on imported goods.
- In the FY24/25 Budget, the CS proposes to reduced the rate of the export and investment promotion levy to between 3% and 10% of the customs value.
- The CS also proposes to increase the scope of goods to be charged export and investment promotion levy.

Introduction of Eco-Levy

- The CS proposes to introduce Eco-levy on various products to curb the surge in waste production which poses a risk to both the environment and human health.
- Example of goods include diapers, packaging materials, primary cells and primary batteries. This levy was introduced in line with the “polluter pays” principle.

11 Tax Procedures Act



Objection Decisions to be made within 90 days.

- The CS proposes to increase the timeline from the current 60 days to 90 days, giving the Commissioner additional time to undertake a comprehensive review of objections by taxpayers. This is with a view to reduce the number of disputes progressing to the courts for determination.

Enforcement of decisions in favor of KRA

- The CS proposes to allow the Kenya Revenue Authority to enforce collection of taxes where a decision of the Tribunal or Court is in favour of the Commissioner and stay orders have not been obtained against the decision.

Validity of agency notice

- The CS proposes to introduce a 1-year validity period for agency notices.
- The Finance Bill specified that one-year validity period would apply in instances where the agent has not notified the Commissioner that they are unable to settle the amounts due

Withholding VAT on manufacturers with investment of KES 3 Billion

- The CS proposes to remove the exemption from withholding VAT (WHVAT) applied to registered manufacturers whose value of investment in the preceding three years is at least KES 3.0 billion.
- However, the proposal as currently worded in the Finance Bill, also removes the exemption on zero-rated supplies. We expect that the final legislation will provide clarity on the removal of WHVAT exemptions.

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