

Car dealers should reassess pricing strategies, stocking on new tax rule



Customs valuation plays a critical role in international trade, serving as the basis upon which authorities determine the value of imports for taxation. To ensure fairness, clarity, and consistency in tax administration, the law prescribes six distinct valuation methods.

At the heart of these is the Transaction Value Method, which prioritises the actual price paid or payable for goods as declared by the importer. This framework not only supports transparency in cross-border trade but also helps standardise the application of import duties across the board. The customs valuation of used motor vehicles continues to present significant practical challenges for tax authorities around the world. These issues were comprehensively examined by the World Customs Organisation, which focused on the treatment of used motor vehicles at the time of importation.

The study explored a wide range of scenarios involving vehicles considered “used,” regardless of whether they were initially purchased as new or second-hand. It also outlined a variety of potential solutions to enhance accuracy, fairness, and consistency in vehicle valuation across different jurisdictions.



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Guided by recommendations from the World Customs Organisation, the Kenya Revenue Authority (KRA) developed the Current Retail Selling Price (CRSP) system, which the KRA has since used as the primary tool for determining the customs value of used vehicles. The model was introduced to provide a standardised and consistent approach to valuation, particularly in cases where traditional invoice-based methods did not reflect the fair market value of the vehicles.

The CRSP reflects the retail price of a brand-new vehicle model as sold locally in the Kenyan market. When a used vehicle of the same model is imported, the KRA applies predetermined depreciation rates to the CRSP based on the car’s age to compute the adjusted value for purposes of assessing import duties, including import duty, excise duty, value-added tax, Railway Development Levy, and Import Declaration Fee.



CRSP changes may boost revenue but raise car prices, reducing affordability