



**i&M** Burbidge Capital



**MARKET  
UPDATE BULLETIN**

7<sup>th</sup> July 2020



# Foreword & Insight

## Foreword

Facing an unprecedented public health crisis with the novel coronavirus (COVID – 19) outbreak, I&M Burbidge Capital has created a resource that gives insight to the impact of the pandemic across the regional markets and economies. We present a selection of the top stories making headlines in the private capital markets as well as market data and corporate developments.

## Quote of the day

*"Just get your feet in the water and do it. I learned a lot from just trying it out."*  
- Yoshikazu Tanaka

## PART I : DEALS & CORPORATE DEVELOPMENTS

7<sup>th</sup> July 2020

Kenya

### Deals

#### **Mauritian firm completes KES 1.2 Billion acquisition of Saham**

Mauritian insurance company MUA Ltd (MUA) has finally received regulatory greenlight to acquire Nairobi based Saham Assurance company in a deal worth KES 1.23 billion. The firm Monday said it had concluded the transaction which began with the January's signing of the Share Purchase Agreement after it got approvals from the Insurance Regulatory Authority (IRA, Kenya), the COMESA Competition Commission and the South African Reserve Bank as well as the Competition Authority of Kenya.

Source: *Business Daily*

#### **ZEP-Re eyes KES 464 Million stake in real estate company Grit**

Nairobi-based reinsurer Zep-Re is eyeing a KES 464.4 million (ZAR 74.5 Million) investment in multinational property developer Grit Real Estate Income Group. The shares will be bought on the Johannesburg Stock Exchange (JSE) from which Grit intends to delist, citing high regulatory and compliance costs.

Source: *Business Daily*

### Market

#### **Current account deficit narrows to 5.2% in May**

Kenya's current account deficit narrowed to 5.2% in the 12 months to May from 5.6% in April, attributed to lower oil imports and improvement in exports of tea, horticulture and remittances. The figure is below the projected current account deficit of 5.8% of gross domestic product (GDP) by the end of the year. The Central Bank of Kenya (CBK) said last week a faster than expected recovery in key exports has raised the prospects of the deficit ending the year better than previously projected.

Source: *Business Daily*

#### **Eurobond yields rise in six months on risk perception**

The yields on Kenyan Eurobonds being traded in the London and Irish stock exchanges increased in the first half of the year, indicating that investors were selling off at lower prices as uncertainty rose during the period. Most of the increase in yields happened in the first quarter of the year when the Covid-19 pandemic reached Kenya with its first confirmed case reported in March.

Source: *Business Daily*

# PART II: TREASURY UPDATE

6<sup>th</sup> July 2020

## LOCAL MARKET

The Kenyan Shilling receded marginally against the Dollar on Monday to close at 106.45/106.95. The NSE 20 share index edged higher by 3.16 points to close at 1,949.12 while in the secondary market bonds worth KES 2.4 billion were transacted.

## INTERNATIONAL MARKET OVERVIEW

The U.S Dollar was steady on Monday on the back of favourable economic data. The Markit PMI Composite and ISM Non-Manufacturing PMI all edged higher to 49.9 from 37.0 and 57.1 from 45.4 respectively. The ISM Non-Manufacturing Index measures business conditions in the US non-manufacturing sector and is calculated using 50% as the centreline between positive and negative expectations. EUR edged higher by 0.4% to close at 1.1294 as positive economic data and prospects of more stimulus for the region propped the currency. The year-on-year and month-on-month Euro-Zone Retail Sales all moved higher to -5.1% from -19.6% and 17.8% from -12.1% respectively. The German Factory Orders also improved to 10.4% from -26.2%. The rebound in the German economy was after the country loosened restrictions to contain the spread of the coronavirus thus giving hints that Europe's largest economy is starting to recover. GBP was higher by 0.2% to close at 1.2504 on the back of positive data. The U.K Construction PMI was higher at 55.3 against a previous reading of 28.9. Brexit fears still hover over the currency as the U.K and EU need to make progress on access to EU financial markets as market awaits more clarity as to whether Britain will agree on a trade deal with the European Union by the end of July.

In the US stock market; the Dow Jones Industrial Average edged higher by 459.67 points to close at 26,287.03; the S&P 500 gained by 49.71 points to close at 3,179.72 while the Nasdaq Composite edged higher by 226.02 points to close at 10,433.65.

Source: I&M Bank Limited

## PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	6.546	8.500	2.691	6.453
182 Day T-Bill	7.048	10.100	3.274	6.900
364 Day T-Bill	7.769	11.100	4.182	8.273
Inflation Data	4.59	4.10	3.20	9.20

## KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		105.70	107.00
GBP		130.40	134.40
EUR		117.70	121.80
CHF		111.20	114.60
JPY		0.9750	1.0020
ZAR		5.70	6.70
INR		-	1.4440
CNH		-	16.50
RWF		5.00	12.00

## INDICATIVE DEPOSIT RATES

Fixed period	1M	3M	6M	1Yr
KES (50,000< 5 Million)	6.00	6.25	6.75	7.00
KES (Above 100 Million)	6.50	7.25	7.75	8.25
USD (Above 500,000)	1.75	2.25	2.75	3.00
EUR (Above 500,000)	0.75	1.25	1.25	1.50
GBP (Above 500,000)	0.25	0.50	0.50	0.50

## COMMODITY PRICES

	Unit	Close
Aluminum	USD/MT	1,634.50
Murban Crude Oil	USD/barrel	43.47
Coffee	US Cents/lb.	98.15
Wheat	US Cents/Bushel	492.00
Corn	US Cents/Bushel	347.00

# PART III: EQUITIES AND BOND TRADING

6<sup>th</sup> July 2020

## MARKET COMMENTARY

The NSE All Share Index and the NSE25 share index on Monday declined by 1.13% and 0.81% to close at 137.99 and 3,193.30 basis points, respectively. The NSE20 share index gained 0.16% points to close at 1,949.12 points. Equity turnover increased by 266.26% to KES 553 Million. The top counters on Monday were Safaricom, Equity and EABL. The counters' turnover stood at KES 266 million, KES 134 million and KES 67 million respectively. Foreign investors were net-sellers accounting for 92.50% of the day's sales and 49.62% of the day's purchases. The foreigners were net-sellers on Equity, Safaricom and EABL. The secondary bond market's turnover was higher, with bonds worth KES 2.42 billion transacted against the KES 1.14 billion worth of bonds traded on Friday. The number of deals marginally rose to 81. The Derivatives Market had 4 contracts valued at KES 103,000 transacted during Monday's trading session. Three Safaricom contracts worth KES 87,000 expiring in 17th Sep 2020 were concluded at a price of KES 29.00. This is against an end of day price of KES 29.10 posted in the spot market.

## INDEX MOVEMENTS

Index	Closing	% Change	% YTD
NASI	137.99	-1.13	-17.08
NSE20	1,949.12	0.16	-26.57
NSE25	3,193.30	-0.81	-22.13
FTSE NSE25	181.19	-1.05	-21.05

## MARKET DATA

Market Data	Today	Previous
Market Cap (KES, billions)	2,109.08	2,133.3
Turnover (KES, millions)	553.48	150.99
Volume (millions)	22.30	6.23
Foreign Buys (%)	49.62	46.13
Foreign Sales (%)	92.50	57.03

## GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (KES million)
FXD1/2019/5	11.3040	10.8000	500.00
FXD4/2019/10	12.2800	11.9000	450.00
IFB1/2020/6	10.2000	10.1500	300.00

Source: Faida Investment Bank

## MOVERS

Movers	Volume (million)	Turnover (KES million)	VWAP (KES)
Safaricom Plc	9.15	266.34	29.10
Equity Group Holdings Plc	4.08	134.21	32.90
East African Breweries Plc	0.43	67.21	157.25



# PART IV: WEEKLY SUMMARY OF DEALS

For the week ending 3<sup>rd</sup> July 2020

## EAST AFRICA DEALS OF THE WEEK & FUNDRAISING ANNOUNCEMENTS

Target Company / Fund	Acquirer Company/Investor	Deal Type	Synopsis	Deal Value (USD Million)	Sector	Country/Region
Equity	World Bank	Debt	The Kenyan banking subsidiary of Equity Group is set to receive a USD 50 Million (KES 5.3 Billion) loan from the private sector arm of the World Bank for onward lending to small businesses hurt by the global Covid-19 pandemic. The International Finance Corporation (IFC) made the disclosure of the multi-billion shilling support to Equity Bank, which has taken a cash preservation strategy, including recalling KES 9 Billion in dividends and dropping the purchase of four banks outside Kenya.	50	Financial Services	Kenya
Bujagali Energy	Jubilee Holdings	M&A	Jubilee Holding has bought an additional 9.44% stake in Uganda's Bujagali Energy Limited (BEL) for KES 4.2 Billion (USD 40 Million), doubling its ownership in the hydroelectric power plant. The firm announced Tuesday it bought more shares from its technical partners, SN Power, in the 250-megawatt Bujagali dam on the River Nile. Jubilee bought the stake after former partners Sithel Global exited in July 2018, leaving the stake to SN Power, which remains with a majority shareholding of 55.45%.	40	Energy	Kenya
IFC, Shelter Afrique	KMRC	Fundraising	State-backed home loans financier Kenya Mortgage Refinance Company (KMRC) has admitted International Finance Corporation and Shelter Afrique as shareholders. KMRC has so far raised KES 2 Billion as capital from shareholders among them National Treasury, 20 primary mortgage lenders, eight banks, one micro-finance bank and 11 savings and credit co-operatives.	20	Real Estate	Kenya

# PARTV : PKF LLP FINANCE ACT, 2020 TAX ALERT

7<sup>th</sup> July 2020

## FINANCE ACT, 2020

The Finance Act, 2020 was assented into law by the President on 30 June 2020 with a majority of the proposals in the Finance Bill, 2020 being enacted. Our tax alert analyses the Finance Act 2020 and clarifies the effective dates for each of the amendments.

The most significant changes implemented through the Act are as follows:

- A new voluntary tax disclosure programme (amnesty from penalties, interest and prosecution) to run for the next 3 years covering income for the 5 years to 1 July 2020
- Increase in the upper and lower income threshold for residential rental income tax
- Minimum tax introduced based on gross turnover
- New digital service tax introduced based on gross transaction value
- Significantly increased compliance threshold where input VAT can only be claimed if declared by the seller as output VAT

We welcome the introduction of the voluntary tax disclosure programme as this sets-up a win-win situation for both KRA and willing taxpayers. We also welcome the increases to the thresholds for residential rental income tax as it will also seek to enhance compliance.

The introduction of minimum tax and in particular whether its equitable and its administration are questionable. Administration of the digital service tax is also expected to be challenging. We are of the opinion that placing the responsibility and burden of ensuring VAT compliance by suppliers on claimants of input tax is not justified.

The East African Community Gazette Vol. AT 1 – No. 10 that was published on 30 June 2020 contains all the Customs Duties changes that were effective across the East African Community from 1 July 2020. A copy of this EAC Gazette is available on the EAC website.

## TAX PROCEDURES ACT

	Finance Act 2020 (Act) Amendments	Remarks & Effective Date
<b>Voluntary Tax Disclosure Programme</b>	<p>The Act has introduced a voluntary tax disclosure programme. Under this programme, taxpayers would be required to disclose their past tax liabilities to the Commissioner in exchange for relief from penalties and interests accrued on the disclosed principal taxes.</p> <p>The programme is for a period of five years prior to 1 July 2020. The programme will commence from 1 January 2021 and will be available for uptake for a period of three years.</p> <p>Taxpayers qualifying for relief of penalties and interest under the proposed programme will also not be prosecuted with respect to the tax liability disclosed.</p> <p>100%, 50% and 25% waiver of penalties and interest will be granted if the voluntary disclosure is made and principal taxes are paid within the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> year respectively.</p> <p>It is imperative for taxpayers to disclose all material facts otherwise they risk not getting approval or KRA would demand the penalties and interest even if approval for the waiver had previously been granted.</p> <p>The programme will not be applicable to persons who end up in refund positions after taking it up.</p>	<p>This presents a much needed opportunity and window for taxpayers to declare any past unpaid taxes and also presents the KRA with a significant opportunity to increase tax collections.</p> <p><b>Effective Date: 1 Jan 2021</b></p>

# PARTV : PKF LLP FINANCE ACT,2020 TAX ALERT

7<sup>th</sup> July 2020

## INCOME TAX ACT

	Finance Act 2020 (Act) Amendments	Remarks & Effective Date
<b>Residential Rental Income Tax (RRIT)</b>	The Act has increased the upper limit for residential rental income from KES 10 Million to KES 15 Million per annum and has also increased the lower limit from KES 144,000 to KES 288,000 per annum.	Those earning annual residential rental income of between KShs 288,000 to KShs 15 million qualify for RRIT. RRIT is still payable on a monthly basis at the rate of 10%.  <b>Effective Date: 1 January 2021</b>
<b>Minimum Tax</b>	The Act has introduced a new tax known as minimum tax at the rate of 1% of the annual gross turnover.  Minimum tax shall be computed at the rate of 1% of the annual gross turnover and shall be payable on the twentieth day of the fourth, sixth, ninth and twelfth month of the year of income.  Where the computed minimum tax is higher than the estimated instalment tax, a person will pay minimum tax, otherwise, a person shall be liable to pay the estimated instalment tax.  Minimum tax will not be applicable to: <ul style="list-style-type: none"> <li>▪ incomes that are exempt from tax;</li> <li>▪ employment income;</li> <li>▪ income subject to turnover tax;</li> <li>▪ residential rental income;</li> <li>▪ gains from property transfers that are subject to Capital Gains Tax; and</li> <li>▪ income earned from the extractive industry.</li> </ul>	Loss making entities will now have to pay the minimum tax. This is against the basic principles of charging income tax on gains/profits and is also punitive to entities that are in a loss position as a result of significant investments on which they have enjoyed capital allowances.  Entities with high revenues but low margins will also have to pay the minimum tax which may not be covered by the tax that would otherwise arise on their net income.  There is however a drafting error suggesting that profit making entities have to pay both minimum tax and estimated instalment tax even where the estimated instalment tax is higher than the minimum tax. However, our interpretation is that taxpayers are required to pay the higher of minimum tax or estimated instalment tax.  There are no guidelines on how the minimum tax paid will be offset against the final or future tax payable or refunded to a taxpayer.  There is also no guidance on the modalities of computing the minimum tax due, i.e. whether the new tax is pegged on the prior year or the estimated current year turnover and whether quarterly payments are meant to be equal (25% of the minimum tax per quarter)?  <b>Effective Date: 1 January 2021</b>
<b>Digital Service Tax</b>	The Act has introduced digital service tax for persons earning income through the digital market place which is: <ul style="list-style-type: none"> <li>▪ Applicable to any person on income derived from or accrued in Kenya from provision of services through a digital market place.</li> <li>▪ Payable at the rate of 1.5% of the gross transaction value at the point of transferring payment to the service providers.</li> </ul> Resident persons and non-resident persons with a Permanent Establishment in Kenya will offset the digital service tax against income tax payable for that particular year of income.  The Commissioner now has powers to appoint digital service agents for purposes of collection of the digital service tax.	This has brought clarity on administration and collection of digital service tax particularly on non-resident persons. However, it is not clear how the appointed agents will remit the tax deducted to the Kenya Revenue Authority. Administrative challenges and push back from international services providers on online platforms might hinder KRA from realizing the anticipated taxes from this amendment.  Given that most non-resident persons require payment net of tax, there is a possibility that the tax will be borne by the consumer of the service.  <b>Effective Date: 1 January 2021</b>
<b>Allowable deductions</b>	The Act has deleted the following allowable deductions from Section 15 of the Income Tax Act: <ul style="list-style-type: none"> <li>▪ Registration and annual subscription fees for trade associations;</li> <li>▪ Capital expenses incurred on legal costs and incidental expenses relating to: <ul style="list-style-type: none"> <li>○ authorisation and issue of shares, debentures and other securities for purchase by the general public; and</li> <li>○ listing on a securities exchange operating in Kenya without raising additional capital;</li> </ul> </li> <li>▪ Capital expenses incurred on rating for purposes of listing on any securities exchange in Kenya; and</li> <li>▪ Club subscriptions by an employer on behalf of an employee.</li> </ul>	The amendment is in tandem with the Government's efforts to increase tax revenue.  The Finance Bill had proposed to also restrict tax deductibility for expenditure incurred on public schools, hospitals, roads and similar social infrastructure that were pre-approved. It is good to see this proposal having been dropped.  <b>Effective Date: 1 January 2021</b>

# PARTV : PKF LLP FINANCE ACT,2020 TAX ALERT

7<sup>th</sup> July 2020

## INCOME TAX ACT

	Finance Act 2020 (Act) Amendments	Remarks & Effective Date
<b>Registered Home Ownership Savings Plan</b>	The Act has scrapped the provision that allowed depositors to enjoy a tax deduction on deposits placed with an approved institution registered home ownership savings plan (HOSP) as well as the income tax exemption enjoyed by a registered HOSP.	Depositors will no longer enjoy tax deduction on savings made to a registered home ownership savings plan. Further, interest income earned on deposits to a registered HOSP will be now be subject to tax.  Additionally, a registered HOSP will no longer be exempt from income tax.  <b>Effective Date: 1 January 2021</b>
<b>Income Tax Exemptions</b>	The Act has scrapped income tax exemptions on employment income paid in the form of bonuses, overtime and retirement benefits to low income earners. This income will now be subject to tax.	It is good to note that proposals in the Finance Bill to scrap income tax exemptions on NSSF income and monthly pension granted to persons aged sixty-five years and above were not enacted. Therefore, these incomes are still exempt from income tax.  <b>Effective Date: 1 Jan 2021</b>
<b>Income not chargeable to Capital Gains tax</b>	The Act has aligned the Eighth Schedule to the Income Tax Act with the new Second Schedule on capital allowances in respect of capital gains tax exemption on transfer of assets that qualifying for wear and tear allowances.	This is not a new provision but an alignment for clarity.

## VALUE ADDED TAX ACT

	Finance Act 2020 (Act) Amendments	Remarks & Effective Date
<b>Deductibility of input VAT by taxpayers</b>	The Act bars taxpayers from claiming input VAT on purchases if suppliers have not declared output VAT on the sales invoices in their VAT returns.	VAT Auto Assessments have now effectively been legalized. Taxpayers will now have an onerous task of following up with their suppliers to ensure output VAT is declared before they can claim input VAT. This will be an administrative challenge and will deny taxpayers the right to claim legitimate input VAT in most instances.  <b>Effective Date: 30 June 2020</b>
<b>Reclassification of supplies from exempt to standard rate at 14%</b>	The Act has reclassified the following items from exempt status to standard rate: <ul style="list-style-type: none"> <li>▪ Helicopters of an unladen weight not exceeding 2,000 kg of tariff 8802.11.00</li> <li>▪ Helicopters of an unladen weight exceeding 2,000 kg of tariff 8802.12.00</li> <li>▪ Airplanes and other aircraft of an unladen weight not exceeding 2,000 Kg or tariff 8802.20.00</li> <li>▪ Other parts of airplanes helicopters of tariff 8803.30.00 Other parts of airplanes helicopters of tariff 8803.30.00</li> <li>▪ Aircraft launching gear and parts thereof; deck-arrestor or similar gear and parts thereof of tariff 8805.10.00</li> <li>▪ Air combat simulators and parts thereof of tariff 8805.21.00</li> <li>▪ Other ground flying trainers and parts thereof of tariff 8805.29.00</li> <li>▪ Tractors other than road tractors for semitrailers</li> <li>▪ Hiring, leasing and chartering of helicopters of tariffs 8802.11.00 and 8802.12.00.</li> </ul>	This provision will increase the cost of these items.  <b>Effective Date: 1 July 2021</b>

# PARTV : PKF LLP FINANCE ACT,2020 TAX ALERT

7<sup>th</sup> July 2020

## VALUE ADDED TAX ACT

	Finance Act 2020 (Act) Amendments	Remarks & Effective Date
<b>Reclassification of supplies from exempt to standard rate at 14%</b>	<p>The Act also reclassifies the following from exempt to standard rate:</p> <ul style="list-style-type: none"> <li>specialized equipment for the development and generation of solar and wind energy, including deep cycle batteries</li> <li>Goods of tariff 4011.30 (New pneumatic tyres, of rubber of a kind used on aircraft)</li> <li>Taxable goods locally purchased or imported by manufacturers or importers of clean cooking stoves for direct and exclusive use in the assembly, manufacture or repair of clean cooking stoves.</li> <li>Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating) barbeques, braziers, gas-rings, plate warmers and similar nonelectric domestic appliances, and parts thereof, or iron or steel of tariff numbers 7321.11.00, 7321.12.00, 7321.19.00, 7321.81.00, 7321.82.00, 7321.83.00 and 7321.90.00</li> <li>One personal motor vehicle, excluding buses and minibuses of seating capacity of more than eight seats, imported by a public officer returning from a posting in a Kenyan mission abroad and another motor vehicle by his spouse.</li> <li>Aluminum pilfer proof caps with EPE liner under tariff number 8309.90.90</li> </ul>	<p>This provision will increase the cost of these items.</p> <p><b>Effective Date: 30 June 2020</b></p>
<b>Reclassification from Standard rate to Exempt status</b>	<p>The Act has reclassified the following supplies from standard rate to exempt:</p> <ul style="list-style-type: none"> <li>Maize (corn) seeds under tariff no. 1005.10.00</li> <li>Ambulance services</li> </ul>	<p>The exemptions of maize seeds and essential ambulance services is welcome.</p> <p><b>Effective Date: 30 June 2020</b></p>
<b>Reclassification from zero rate to standard rate</b>	<p>The Act has reclassified the following supplies from zero rate to standard rate:</p> <ul style="list-style-type: none"> <li>Supply of liquefied petroleum gas (LPG) including propane</li> <li>Inputs or raw materials for electric accumulators and separators including lead battery separator rolls whether or not rectangular or square supplied to manufacturers of automotive and solar batteries in Kenya</li> </ul>	<p>This will result in price increases to the final consumer.</p> <p><b>Effective Date: 30 June 2020</b></p>
<b>Reclassification from exempt to zero rate</b>	<p>The Act has reclassified the following items from exempt to zero rate for a period of six months from 30 June 2020:</p> <p>Supply of maize (corn) flour, cassava flour, wheat or meslin flour and maize flour containing cassava flour by more than 10% percent in weight.</p>	<p>The essential commodities will be more affordable to consumers.</p> <p><b>Effective Date: 30 June 2020</b></p>

# PARTV : PKF LLP FINANCE ACT,2020 TAX ALERT

7<sup>th</sup> July 2020

## TAX APPEALS ACT

	Finance Act 2020 (Act) Amendments	Remarks & Effective Date
<b>Limitation of Grounds of Appeal</b>	The Act now states that an appellant can only rely on grounds stated in its documents and not on any other grounds.	This change prevents an appellant from submitting new documents after lodging appeal documentation.  By extension, it prevents appellants from introducing new grounds of appeal.  <b>Effective Date: 30 June 2020</b>

## EXCISE DUTY

	Finance Act 2020 (Act) Amendments	Remarks & Effective Date
<b>Definition of licence expanded</b>	The definition of licence has been expanded to capture all activities i.e. services, goods and any other activity that requires excise duty licensing in Kenya.	This change clarifies and removes ambiguity on the licence requirements for excise duty purposes in Kenya.  <b>Effective Date: 30 June 2020</b>
<b>Excise duty on alcoholic beverages</b>	Currently, alcoholic beverages i.e. beers, cider, perry etc. with an alcohol strength of 10% or less attract excise duty of KShs 105.20 per litre. On the other hand, spirits and spirituous beverages with an alcoholic strength exceeding 10% attracts excise duty at KShs 253 per litre.  The Finance Act has adjusted the alcoholic strength threshold in both cases from 10% to 6% and therefore, alcoholic beverages and spirits with an alcoholic content of above 6% will now attract excise duty at the higher rate of KShs 253 per litre.	This is expected to further increase government revenue from alcoholic beverages and spirits.  <b>Effective Date: 30 June 2020</b>
<b>Excise duty on betting</b>	Excise Duty of 20% on the amount wagered has been deleted.	This proposed change is a welcome move for players in the betting industry.  However, the National Treasury later released a statement on its plans to reintroduce Excise Duty on betting activities within the next 6 months to mitigate against the social vices associated with betting.  <b>Effective Date: 30 June 2020</b>
<b>Adjustment for inflation</b>	Section 10 of the Excise Duty Act is amended to require the Cabinet Secretary National Treasury to seek the National Assembly's approval before adjusting the specific rate of excise duty.	This is a welcome move aimed at ensuring there is scrutiny to the proposed excise duty inflation adjustments.  <b>Effective Date: 1 January 2021</b>

# PARTV : PKF LLP FINANCE ACT,2020 TAX ALERT

7<sup>th</sup> July 2020

## MISCELLANEOUS FEES AND LEVIES ACT

Import Declaration Fees (IDF) changes	Finance Act 2020 (Act) Amendments	Remarks & Effective Date
	<p>The Finance Act makes the following changes:</p> <ul style="list-style-type: none"> <li>▪ Goods imported under the East African Community Duty Remission Scheme moved from KShs 10,000 to 1.5% of the customs Value;</li> <li>▪ IDF at the rate of 2.5% was proposed on goods entered for home use from an export processing zone;</li> <li>▪ IDF at the rate of 3.5% was proposed on previously exempt aircraft of unladen weight not exceeding 2,000 kg and helicopters of tariffs 8802.11.00 and 8802.12.00;</li> <li>▪ IDF at the rate of 3.5% was proposed on previously exempt goods that the Cabinet Secretary may determine are in public interest, or to promote investments which value shall not be less than KShs 200 million;</li> <li>▪ IDF at the rate of 3.5% was proposed on previously exempt goods imported for implementation of projects under special operating framework arrangement with the Government; and</li> </ul> <p>IDF to be exempted on all equipment, machinery and motor vehicles for the official use by the Kenya Defense Forces and National Police.</p>	<p>These changes are expected to increase government revenue.</p> <p><b>Effective Date: 30 June 2020</b></p> <p><b>Effective Date for amendment on introduction of IDF on aircraft is 1 July 2021.</b></p>
<p><b>Railway Development Levy (RDL) changes</b></p>	<p>The Finance Act makes the following changes:</p> <ul style="list-style-type: none"> <li>• RDL to be exempt on currency notes and coins imported by the Central Bank of Kenya;</li> <li>• RDL to be exempt on equipment, machinery and motor vehicles for the official use by the Kenya Defence Forces and National Police; and</li> <li>• RDL at the rate of 3.5% was introduced on previously exempt goods that the Cabinet Secretary may determine are in public interest, or to promote investments whose value exceeds KShs 200 million.</li> </ul>	<p>These changes are expected to increase government revenue.</p> <p><b>Effective Date: 30 June 2020</b></p>

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