



16th June, 2012

BUDGET 2012

NEWS LETTER

The budget for 2012 was read by the finance minister on 14th June 2012 and that the theme for the budget is Deepening our Economic & Social prosperity within a system of Devolved Government.

Please get some time and go through this budget news letter which has been compiled from the finance Bill 2012.

INCOME TAX

- Corporation tax rate remains unchanged at 30%.
- Personal tax brackets also remain unchanged.
- Tax allowances for commercial buildings which include offices, shops and show rooms and provision of roads water, sewer, power and other social infrastructure at a rate of 25% with effect from 1st January 2013.
- Payment made in respect of transmitting messages by a non- resident person not having a permanent establishment in Kenya to be subject to 5% withholding tax with effect from 15th June 2012.
- Tax exemptions with effect from 1st January 2013 to be valid for a period of three years after which an application for renewal must be made at least six months before the date of expiry. Exemptions will now be granted by the minister on recommendation by the commissioner.
- With immediate effect in respect of the Income Tax (Advance Tax) (conditions and provisions) Rule 2012.
 1. Advance Tax due date will be on or before 20th day of the 1st month of the year of income.
 2. Requirement to keep records.
 3. Requirement to file tax return
- With effect from 1st January 2013 an officer of a body corporate charged with offences under Income Tax Act may now be ordered by the court to make payment to the commissioner on remains of the unpaid tax assessed by the commissioner in addition to any other penalty.
- With immediate effect the salary, daily allowances paid to the president which are derived from public funds are now taxable.
- With immediate effect also all allowances payable to the speaker, Deputy Speaker, Ministers, Assistant Ministers and all other members of parliament are now taxable.

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VALUE ADDED TAX

- There are no substantive changes to the VAT Act.
- Second Schedule (Exempt goods) fifth schedule (zero rated goods) with effect from 1st July 2012 a number of tariff classifications have been affected
- VAT Bill 2012 has been tabled by the minister for approval which has many proposed changes. We will update you on this under a separate cover.

CUSTOMS DUTY

- The minister has proposed amendments under the customs in the minister's speech which will accordingly come into effect after the changes have been duly enacted or pronounced by way of a legal notice by the EAC.

EXCISE DUTY

- With effect from 1st July 2012 export duty of 20% imposed on:
 1. Waste and scrap of cadmium and Articles thereof
 2. Waste and scrap of antimony and articles thereof
- With effect from 1st July 2012 export duty on the following items removed
 1. Hides and skins
 2. Waste and scrap of beryllium
 3. Waste and scrap of titanium

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MISCELLANEOUS TAXES

The traffic Act

- The motor vehicle road license reinstated and required to be renewed annually but free of charge.

Scrap metal Act

- Scrap metal dealers to be registered and regulated.

Retirement benefit schemes

- Corporate trustee of an individual retirement benefits scheme cannot be a company related to the sponsor.

Capital Markets Authority Act

- Government securities to be included in the Central Depository System.

ADMINISTRATIONS

1. The minister through the KRA will embark on mapping out all residential and commercial areas and implement a comprehensive strategy to ensure that all land lords are effectively brought into the tax bracket and all rental income taxes due are paid.
2. Simplifying and modernization of Income Tax Act and customs and Excise Tax already started.

We have taken due care in preparing the information but we are not liable for any error or omission-therein.

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