



16th June, 2013

BUDGET 2013

NEWS LETTER

The budget for 2013 was read by the finance secretary on 15th June 2013 and that the theme for the budget in transformation for shared prosperity.

As we have always stated please get some time to go through this budget news letter which has been compiled from the finance Bill 2013.

INCOME TAX

- Corporation tax rate remains unchanged at 30%
- Personal tax bracket also remains unchanged
- Withholding tax of 20% introduced on betting and gaming
- Withholding tax of 10% for residents and 20% for non-residents introduced on sale of property or shares in oil, mining and mineral prospecting companies. In case of an assignment of right under a petroleum agreement withholding tax is not final tax
- Under the income tax Act the commissioner will have powers to enter a tag payers premises so as to search documents and seize documents and articles where a person has committed or is reasonably suspected to have committed an offence. The income tax Act will be reviewed with a view to re- introduce the suspended capital gains tax.
- Tax free benefits include premiums Paid for group life policy cover where they don't incur a benefit on the employee or any of his dependants .

VALUE ADDED TAX

The cabinet secretary has indicated his intention to re-table the VAT Bill before parliament whereby food and essential items will either be zero-rated or exempt and not vatable at 16% as had been proposed in the tax bill.

CUSTOMS DUTY

The cabinet secretary proposed amendments under the customs regime as per the budget speech which accordingly will come into effect after the changes have been duly enacted or pronounced by way of legal notice by the EAC.

HEAD OFFICE CONTACTS

Shelter Afrique House
Ground Flr, Mamlaka Road
P.O Box 23933 – 00100
Nairobi, Kenya
Tel: +254(20)2719264, 2721267
Fax +254(20) 2715431
Email: c.mmaingi@orange.co.ke

NAKURU BRANCH

Shree Hari Enterprises Building
1st flr, Industrial Area
p.O Box 1421 – 20100
Nakuru, Kenya
Tel: +254(20)2719264, 2721267
Fax +254(20) 2715431
Email: magrasool@gmail.com

REGIONAL OFFICE

Kampala, Uganda
Fairway Hotel
Kampala, Uganda
Email – godfreykampani@yahoo.com



EXCISE DUTY

The finance bill 2012 introduced an excise tax of 10% on fees charged by the financial institutions which by definition are persons licensed under the Banking Act, Insurance Act, Central Bank Act, Sacco Societies Act and Kenya Post Offices savings Bank for any fee, charge or commission levied by a financial institution.

There are proposals also to introduce a Railway Development levy at 1.5% of the value of all imported goods in order to fund the construction of a two-track standard gauge railway line from Mombasa to Kisumu.

MISCELLANEOUS TAXES

Insurance

The Insurance Regulatory Authority has been directed to undertake a comprehensive review of the insurance Act with an aim to align it to international best practices and a draft is expected to be ready by September 2013.

Retirement Benefits

Also RBA is to undertake a comprehensive review of retirement benefits legislation with an aim to align it to international best practices and a draft is expected to be ready by December 2013

Motor Vehicle Insurance

The insurance (Motor Vehicle 3rd party) Act to be amended to provide for a structured compensation liability schedule.

CONCLUSION

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

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Kampala, Uganda
Fairway Hotel
Kampala, Uganda
Email – godfreykampani@yahoo.com