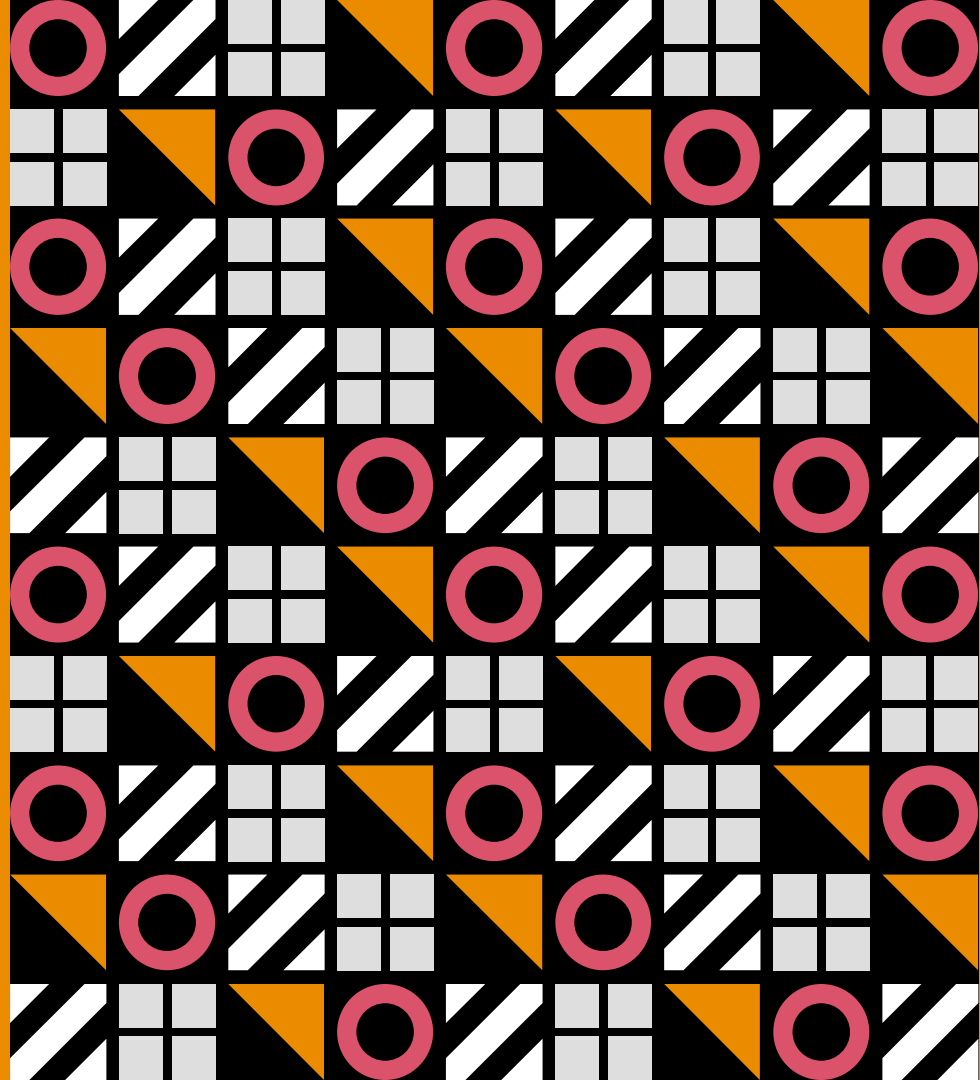


EABC Webinar

EAC Domestic Tax Regimes and
Proposed Measures for 2024/25
Budgets



Agenda



Regional Comparison

Proposed Measures

- Tanzania

- Kenya

- Uganda

- Rwanda

EABC Webinar on Regional Private Sector 2024/25 pre-budget digest

Convergencies and divergencies of Tax Proposals across EAC

Date: Wednesday, 29 May 2024

Time: 2.00pm – 4.00pm EAT

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Regional comparison

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Domestic taxes



	Tanzania	Kenya	Uganda	Rwanda
Corporate income tax - rate	30%	30%	30%	28%
Taxes on employer				
Social security - employer contribution	10%	nominal*	10%	5%
Skills and Development Levy/ NITA Levy	3.5%	nominal	n/a	n/a
Workers Compensation Fund	0.5%	n/a	n/a	n/a
Maternity Leave Benefit	n/a	n/a	n/a	0.3%
	14%	nominal	10%	5.3%
Taxes on employee				
Income Tax - top marginal rate	30%	35%	40%	30%
Social security contribution - employee	10%	nominal	5%	3%
Maternity Leave Benefit	n/a	n/a	n/a	0.3%
	40%	35%	45%	33.3%
Total social security contribution	20%	nominal	15%	8%

*A new NSSF Act provides for a higher rate of 6% of earnings, but still with a contribution cap (increased to between KES 360 and KES 1,080 per month).

Withholding taxes



	Tanzania	Uganda	Kenya	Rwanda
Dividends	5%/10%	10%/ 15%	5%/ 15%	n.a/ 5%/ 15%
Interest	10%	10%, 15%, 20%	10%-25%	n.a/ 5%/ 15%
Rent	10%	n/a/ 15%	10%/ 15%-30%	n.a/ 15%
Royalty	15%	n/a/ 15%	5%/ 20%	n.a/ 15%
Service/management fee	5%/ 15%	6%/ 15%	5%/ 20%	n.a/ 15%
Insurance premium	n/a/ 5%	15%	n/a/ 5%	n.a/ 15%

VAT and Excise



	Tanzania	Uganda	Kenya	Rwanda
VAT - Local	18%/ 15%	18%	16%	18%
VAT - Exports	0%	0%	0%	0%
Excise - Goods	Several*	Several*	Several*	Several*
Excise - Services	Several - see below	Several*	Several*	
- Telcos and payment service providers, pay-to-view	17% - ECS 10% - Money Transfer 5% - pay-to-view television	12%/ 15%/ 0.5%/ \$0.09 per min	15%/ 20%	10% - Tel comm
- Financial Institutions	10% - Fees & charges	15% - fees & charges	20%	Nil

*Provided under the respective Excise Acts (at specific and ad valorem rates)

Budget process



Process	Tanzania	Uganda	Kenya	Rwanda
Stakeholder submissions to the National Treasury	By February	Between September and February	From September to November	N/A
Discussion on the submissions	By end of March	By end of March	By December	N/A
Stakeholder submissions to the National assembly/ Parliament		March to April	April to May	N/A
Discussion on the submissions	From February to May	March to April	May	N/A
Finance Bill	Mid June	March to June	30th April	N/A
Effective date for Finance Act changes	1 July	1 July	1 July	N/A

Proposed measures for
2024/25

2

Tanzania



Tax type	Comments
Tax Administration	<ul style="list-style-type: none">- Budget process- Tax deposit waiver request - clarity on process to follow in case of dispute- Clarity on time for objection admission- Six-months timeline: Deem assessment in line with the objection- Shorten the time it takes to get VAT refunds
Income Tax	<ul style="list-style-type: none">- Rationalisation of taxes on SMEs - a lower CIT rate to 25%- Abolish AMT considering a potential for both AMT and CIT (30%) to apply on the same year- Foreign exchange - realisation basis to apply only on long term loans- Indexation of cost on disposal of shares under investment income- Amend the single instalment tax provisions (section 90 ITA 2004) to align with the economic and legal reality of how a transaction is concluded

Tanzania



Tax type	Comments
SDL & WCF	<ul style="list-style-type: none">- Reduction of SDL to 3%, and allocate 2.5% for VETA and 0.5% for WCF- Rationalisation of taxes on SME - Exempt from SDL
Social security contributions	<ul style="list-style-type: none">- Progressive reduction in the rate for total social security contributions from the existing 20% to 15% over a five year time frame- Consideration should be given to setting a cap on contributions
Value Added Tax	<ul style="list-style-type: none">- Exempt concession fees and park entry fees- Exempt smartphones (maintain VAT on feature phones)- Exempt Carbon credit sales and charges to the Government in respect of verified emission reductions - Enhance environmental conservation- Relook at the VAT deferment scheme - Include more capital goods (imported or purchase locally, including purchases from local agents of foreign suppliers)- Allow payment of VAT refund for companies in exploration stage (registered for VAT as intending traders)



Tax type	Comments
Excise Duty	<ul style="list-style-type: none"> - Proposal to overhaul the Excise Duty Act (modernised, simplified, harmonised) <p>Quick Wins:</p> <ul style="list-style-type: none"> - Reduce excise duty rate on telcos i.e. from 17% to 10% - Improve penetration of telecommunication services - Exclude services supplied to intermediaries from the scope of excise duty (i.e. single-stage tax) - Specifically exclude exported services from the scope of excise duty
Digital Services from Non-Residents	<ul style="list-style-type: none"> - Clarify on threshold for VAT purposes; whether or not applicable ideally to align to general threshold rules - Allow input tax claims
Mobile Money Levy & Airtime Levy	<ul style="list-style-type: none"> - Removal of these levies - The sector is already heavily taxed
City service levy	<ul style="list-style-type: none"> - Allow electronic money transfer licence holders to pay the levy centrally (similar to Telcos)



Tax type	Proposals contained in the Finance Bill 2024
Income Tax	<ul style="list-style-type: none">- Replacement of Digital Service Tax (“DST”) chargeable at 1.5% and introduction of significant economic presence tax chargeable at 6%.- Introduction of motor vehicle tax payable on each motor vehicle at the time of the issuance of insurance cover. The rate is 2.5% of the value of the motor vehicle.- Removal of certain tax exemptions on infrastructure and green bonds, registered trust scheme and family trusts.- Amendment of definition of royalty to include software license, development, training, maintenance or support fees and includes the distribution of the software for WHT purpose.- Introduction of investment allowance on capital expenditure incurred by telecommunications operators on acquisition of spectrum license at the rate of 10% PA.



Tax type	Proposals contained in the Finance Bill 2024
Employment Tax	<ul style="list-style-type: none">- Increase of tax-exempt thresholds for meals and non-cash benefits- Increase of maximum deductible pension and owner-occupier interest- Tax exemption on pension withdrawals- Tax exemption of reimbursements to public officers
Tax administration	<ul style="list-style-type: none">- Extension of the time required for the Commissioner to issue an Objection Decision from sixty days to ninety days.- Amendment of the provisions on data management and reporting to allow taxpayers to integrate their electronic tax system with KRA system.- Exclusion of weekends and public holidays in determining the due dates for submission and making payments to KRA



Tax type	Proposals contained in the Finance Bill 2024
Value Added Tax	<ul style="list-style-type: none">- Increase of mandatory VAT registration threshold from Ksh.5M to Ksh.8M- VAT exemption on Transfer of business as a going concern (TOGC)- Introduction of VAT on certain financial services such as issuance of credit and debit cards; telegraphic money transfer services; foreign exchange transactions; cheque handling, clearance and related services, the assignment of a debt for consideration, the provision of financial services on a commission basis among others and insurance services with exception to insurance and reinsurance premiums- Change of VAT status from exempt to taxable - Taxable supplies for the direct and exclusive use in the construction and equipping of specialized hospitals with a minimum bed capacity of fifty, construction of tourism recreational parks, convention and conference facilities, local film producers and local filming agents.



Tax type	Proposals contained in the Finance Bill 2024
Value Added Tax	<ul style="list-style-type: none">- Change of VAT status from zero rate to exempt - agricultural pest control products, the supply of motorcycles, BEV etc.- New exemptions on Mosquito repellent, inputs and raw materials used in the manufacture of mosquito repellent, tea packaging materials as well as Micronutrients, foliar feeds and bio-stimulants of Chapter 38- Reduction of refund application window for VAT and withholding VAT refund application from 24 months to within 6 months from when the tax became due.



Tax type	Proposals contained in the Finance Bill 2024
Excise Duty	<ul style="list-style-type: none">- Harmonization of Excise Duty (“ED”) rate to 30% on some excisable services at 20% including fees charged for money transfer services provided by banks, money transfer agencies and other financial service and cellular phone service provider or licensed payment service provider licensed, telephone and internet data services, betting, gaming, prized competition and Lottery (excluding charitable lotteries)- Imposition of ED on excisable services offered in Kenya through a digital platform by a non-resident with the ED payable by the non-resident person offering the service- Imposition of ED on alcoholic beverages based on the alcohol content- Introduction of Excise Duty on vegetable oils of tariff codes 1511,1512,1515 and 1517 etc



Tax type	Proposals contained in the Finance Bill 2024
Excise Duty	<ul style="list-style-type: none">- Removal of Excise Duty on products imported from EAC partner states such as: Imported cartons, boxes and cases of corrugated paper or paper board and folding cartons, boxes and case of non-corrugated paper or paper board and skillets, eggs, imported onions, potatoes, potato crisps and potato chips.- Expansion of scope of advertisement on alcoholic beverages, betting, gaming, lotteries and prize competitions to include advertisement made on the internet and social media.- Repeal of relief for input ED incurred on raw materials for manufacture or bulk data for resale.



Tax type	Proposals contained in the Finance Bill 2024
Miscellaneous Fees and Levies	<ul style="list-style-type: none">- Introduction of Eco Levy applying on 46 items listed under the 4th Schedule ranging from Ksh. 98 to Ksh. 1,800 per unit.- Increase of import declaration fee (IDF) from 2.5% to 3% on imported goods- Exemption of raw materials and machinery used in the manufacture of mosquito repellants from Railway Development Levy (RDL) and IDF



Tax type	Tax Procedures Code Act (Amendment) Bill, 2024
<ul style="list-style-type: none">• Tax Administration	<ul style="list-style-type: none">- The Bill proposes to waive interest and penalties outstanding as at 30 June 2023 if principal tax is paid by 31 December 2024. Where partial principal tax is paid, the waiver of interest and penalties shall be prorated according to the principal tax paid.- Deduction or credit for destroyed goods- Proposal in the bill is to effect that only taxpayers who inform the Commissioner before the destruction of the goods will be able to claim deductions or credits in respect of destroyed goods.



Tax type	Income Tax (Amendment) Bill, 2024
<ul style="list-style-type: none">Income Tax	<ul style="list-style-type: none">The bill proposes to introduce capital gains tax of 5% on gains derived from disposal of non business assets by a person i.e gains from disposal of shares of private company, land in cities or municipalities, rental property subject to rental tax.The bill proposes to repeal the concept of the term “ branch” and any references to it in the Act and replace it with the term “ permanent establishment”.The bill proposes to introduce a 2% WHT on gross interest payments made to a non resident person (other than interest paid by the Government) in respect of debentures subject to certain conditions.The bill proposes to introduce a 10% advance WHT on commissions paid to payment service providersThe bill proposes to exempt certain incomes from income tax such as income derived by or from a private equity or venture capital fund, income from disposal of government securities on the secondary market, income earned by strategic investors in electric vehicles and parts; specialised hospital facilityThe bill proposes to expand the definition of a retirement fund to include funds maintained for provision of benefits to their members upon termination of employment



Tax type	Stamp Duty Duty (Amendment) Bill, 2024
<ul style="list-style-type: none">Stamp Duty	<ul style="list-style-type: none">The bill proposes to remove stamp duty on nominal share capital held by a private equity or a venture capital fund under Capital Markets AuthorityThe bill seeks to introduce NIL stamp duty rate on certain instruments executed by a manufacturer of an electric vehicle, electric battery or electric vehicle charging equipment or fabricator of the frame and body of an electric vehicle who meets various criteria including a minimum capital investments of USD 10 million for foreigners and USD 300k or USD 150k for citizens depending where the investment is placed.



Tax type	Value Added Tax (Amendment) Bill, 2024
<ul style="list-style-type: none">Value Added Tax	<ul style="list-style-type: none">The bill introduces an obligation on a recipient of proceeds from an auction to account for VAT on the auctioned goods.The bill proposes to treat the supply of goods and services by an employer to their employees for no consideration as a taxable supply.The Bill proposes to increase the threshold of VAT cash refunds from UGX 5 million to UGX 10 million.Penalty for failure to withhold VAT. VAT withholding agents will be personally liable to pay the amount of VAT which has not been withheld although they can recover this from the vendors.Amendment to the second schedule (exempt supplies) such as Hoes, locally made electric vehicles, pesticides, fertilizers.



Tax type	Excise Duty (Amendment) Bill, 2024
<ul style="list-style-type: none">Excise Duty	<ul style="list-style-type: none">Proposal to increase excise duty on fuel: from UGX 1,130 to UGX 1.230 for diesel, UGX 1,450 to UGX 1,550 for petrol, UGX 200 to UGX 500 per litre of keroseneProposal to introduce excise duty of UGX 500 per 50 kg bag of adhesives, grout, white cement and limeProposal to introduce 0.5% excise duty on payment service of withdrawals of cash provided through a payment system but does not include withdrawal services provided by a financial institution or a microfinance deposit taking institution.Incoming international calls from the Republic of Tanzania and Burundi to be exempted from the prevailing excise duty of USD 0.09 per minute.Exemption of construction materials of a manufacturer of an electric vehicle, electric battery, electric charging equipment or a fabricator of the frame and body of an electric vehicle (for a foreigner investing at least USD 35 million and a citizen at least USD 5 million).

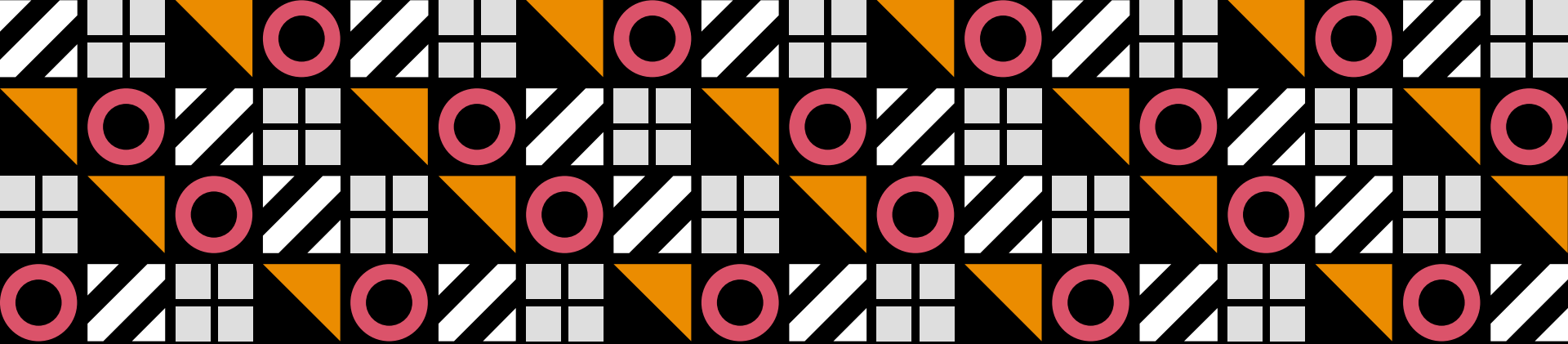


Tax type	Recent tax developments
<ul style="list-style-type: none">Income Tax	<ul style="list-style-type: none">CIT rate has been reduced from 30% to 28%
<ul style="list-style-type: none">Value Added Tax	<ul style="list-style-type: none">Taxation of digital supplies.Exemption from VAT on transfer of assets between related parties in the context of a group reorganisationZero-rating of VAT on electric vehicles
<ul style="list-style-type: none">Excise duty	<ul style="list-style-type: none">Exemption from excise duty on electric vehicles
<ul style="list-style-type: none">Ministerial orders	<ul style="list-style-type: none">Tax voluntary disclosureProcedures on claiming input VAT on imported servicesPrerequisite and procedures for VAT rewards for consumers (10% VAT rebate to customers when they receive an EBM receipt)

Rwanda



Tax type	Proposed changes as per MTRS
<ul style="list-style-type: none">Income Tax	<ul style="list-style-type: none">- Further reduction of CIT rate with the eventual target of 20%- Phasing out of current tax incentives provided in the Investment Law- Introduction of Minimum Alternative Tax- Introduction of immediate expensing of capital investments to replace depreciation- Allowing indefinite carry forward of losses
<ul style="list-style-type: none">Value Added Tax	<ul style="list-style-type: none">- Zero-rating of VAT on construction of residential houses
<ul style="list-style-type: none">Excise duty	<ul style="list-style-type: none">- Increase in excise duties on older vehicles to incentivise an upgrade of Rwanda's fleet.



Thank you

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