



FINANCE BILL, 2023

KEY PROPOSALS

Tax Area Affected	Proposed Changes	Effective Date
Income Tax: Corporation Tax		
Turnover Tax (ToT)	Rate to increase from 1% to 3%.	1st July 2023
Turnover Tax (ToT) Bands	Band to fall from Kes 1 Million-50Million to Kes 500,000-15 Million.	1st July 2023
Loose tools/implements	100% tax deduction on the cost.	1st July 2023
Members' club & Trade Associations	Entire income now taxable excluding joining fees, welfare contributions & subscriptions.	1st July 2023
Gains by Partnerships	Now subject to CGT (Capital Gains Tax).	1st July 2023
CGT Due Date	Transferor to pay CGT on the earlier of when they receive full purchase price or when transfer is registered.	1st July 2023
eTIMS Compliance	Disallow expenses not supported by eTIMS invoices.	1st January 2024
Club Fees & subscription	Not allowable for deduction.	1st January 2024
Advanced tax Motor Vehicles (Cargo Vehicles)	To increase to higher of Kes 3,000/ton/yr or Kes 5,000 /yr.	1st January 2024
Monthly Rental Income Tax (MRI)	Rate to reduce to 7.5% from 10%.	1st January 2024

Income Tax-Withholding Tax (WHT)

WHT on sales promotion, marketing and advertising	WHT introduced : 5% of gross amount paid in excess of Kes24,000/month	1st July 2023
Property Management Companies	To become withholding tax agents (to remit with a return MRI within 24hrs.	1st July 2023
WHT due date	Due date to move from the 20th day of the following month to 24 Hrs after payment.	1st July 2023

Pay As You Earn

Mileage (as approved by cards from Automobile Associate of Kenya Kenya)	Exclusion from tax (travel & mileage claims incurred in performance of official duties).	1st July 2023
New PAYE band on employment income above Kes 6,000,000 per annum	Tax rate of 35%.	1st July 2023

Value Added Tax (VAT)

Pump Prices	Petroleum products to be subjected to 16% VAT.	1st July 2023
LPG (Liquefied Petroleum Gas)	Exempted from VAT.	1st July 2023
Input VAT Claims	Supply must have been declared by the supplier.	1st July 2023

Excise Duty

Offence relating to excise stamps introduced	Fine of Kes 5 Million or jail term not exceeding 3years or both.	1st July 2023
Rates changes for excisable services	<p>Telephone & internet 15% from 20%</p> <p>Money Transfer by banks 15% from 20%</p> <p>Money transfer by cellular phone 15% from 12%</p> <p>Betting 20% from 7.5%</p> <p>Gaming 20% from 7.5%</p> <p>Prize competition 20% from 7.5%</p> <p>Lottery (excluding charitable) 20% from 7.5%</p> <p>Advertisement on alcohol, betting, gaming, lotteries & prize competitions 15%</p>	1st July 2023

Tax Appeals Tribunal Act

Security on Appeal	Deposit of 20% of tax in dispute or security of equivalent amount.	1st July 2023
--------------------	--	---------------

Tax Procedures Act

Electronic System	Aligning TPA with eTIMs roll-out giving the Commissioner visibility of transactions.	1st July 2023
Amendment of an assessment	Will allow to delete "Original" on assessments that may further be amended.	1st July 2023
Amnesty on interests, penalties, and fines on unpaid tax	100% waiver (principal tax settled before 31st December 2022, and taxes agreed on and settled before 30th June 2024. Penalties accrued after 1st Jan 2023 not subject to waiver.	1st September 2023
Removal of waiver	On penalties & interest on account of hardship, equity or difficulty in recovering the tax.	1st July 2023
Security for unpaid tax & Timeline for notification	Notification to be issued within 14 days from the date of registration of an interest against a property as security.	1st July 2023
Agency Notices to Taxpayers' Debtors	Limits set within which the Commissioner can issue notice to collect tax from the taxpayers' debtors.	1st July 2023
Withholding VAT	Allow for withholding VAT on manufactures currently exempt (2%).	1st July 2023
Remitting Withholding VAT	VAT withheld to be remitted 3 days after deduction.	1st July 2023
Real Estate Agents	The Commissioner allowed to appoint Real Estate Agents as Withholding Agents.	1st July 2023

Overpaid Tax-Refund	Taxpayer to offset outstanding and future tax liabilities against overpaid taxes.	1st July 2023
Refunds processing timeline	Timeline to reduce to 6 Months from the current 2 years.	1st July 2023
Tax Shortfall Penalty	(Instalment tax shortfall penalty) to increase from the current rate of 75% of tax due to double the amount of tax due on tax shortfall.	1st July 2023
Objection decision	Introduce 7-days timeline to provide information & documents, failure to which the Commissioner can issue objection decision within 60days.	1st July 2023
Alternative Dispute Resolution timeline	Timeline increased to 120 days from the current 90 days.	1st July 2023
Data Management System establishment	To allow the Commissioner to collect data on invoices, transactions (commercial or financial).	1st September 2023
Electronic Tax System compliance	Penalty for failure to comply increased from Kes 100,000 to Kes 1,000,000/or an amount equal to 10 times tax due, whichever is higher.	1st September 2023
Miscellaneous Fees & Levies Act		
Import Declaration Fee (IDF)	IDF rate to reduce from 3.5% to 2.5%.	1st July 2023
Liquefied Petroleum Gas	Exempt from IDF.	1st July 2023
Other Acts		
National Housing Development Fund	Introduce mandatory contribution at a rate of 3% by the employer & the employee provided the sum contribution does not exceed Kes5,000 per month.	1st July 2023