KPMG

The Finance Act, 2019

A KPMG analysis

November 2019

kpmg.com/eastafrica

KPMG

Income Tax Act

Income Tax

Taxing the digital marketplace

Enacted provision: The Finance Act, 2019 (the Act) has introduced tax on income accruing through a digital marketplace.

Under the Act, a "digital marketplace" means a platform that enables the direct interaction between buyers and sellers of goods and services through electronic means.

The Cabinet Secretary (CS) has been tasked with making regulations to provide for the mechanisms of taxing the digital market place.

Implication: This amendment aims to bring into the ambit of taxation the digital marketplace as a way of increasing the tax base. However, the implementation of this provision is bound to face difficulties unless the proposed regulations define clearly the earnings to be subjected to tax, the persons to be taxed and the basis for determining the taxable income.

Commencement: 7 November 2019

Income from demurrage

Enacted provision: The Act seeks to expand the scope of taxable income of non-resident ship owners to include income from demurrage and detention of containers at the port as income derived from Kenya.

Tax on demurrage and other penalties is now included in the taxable income of shipping lines embarking cargo from Kenya which is taxed at the rate of 2.5%.

Implication: This serves as a big relief for players in the export and import businesses, following the corresponding withdrawal of 20% withholding tax on demurrage. There may be implementation challenges given that it is expected to be paid by non-resident ship owners and may therefore require tax representation in Kenya for it to be accounted for.

Commencement: 7 November 2019

Compensating tax

Enacted provision: The Finance Act, 2018, repealed compensating tax (42.7%) and introduced a corporate tax rate of 30% on dividends paid out of untaxed profits. However, the wording of the provision was not clear on the tax treatment of income already exempted from tax.

The Act has now excluded such exempt income from the provisions of compensating tax.

Implication: This amendment clarifies that exempt income such as dividends and interest on infrastructure bonds is not subject to compensating tax on payment as dividends.

Commencement: 7 November 2019

Turnover and presumptive tax

Enacted provision: The Act has re-introduced turnover tax of 3% on gross receipts payable by resident persons with a turnover of less than ***KES 5,000,000***.

A person liable to pay turnover tax may elect not to be subject to this provisions, if he notifies the commissioner in writing. In this case, the other provisions of this Act shall apply to such a person.

Turnover tax shall not apply to;

a) Rental income;

b) Management or professional or training fees;

c) The income of incorporated companies; and

d) Any income which is subject to a final withholding tax under this Act.

A person required to pay turnover tax is still liable to pay presumptive tax of 15% of the amount payable for a business permit or trading license issued by a county government. However, the presumptive tax can be offset against the turnover tax.

Income Tax

Presumptive tax cont.

Implication: This amendment seeks to expand the tax base. It taps into the informal sector and leverages on the County Government to enforce collection. It may appear that the government intends to use this mechanism to enroll more taxpayers particularly the ones in the informal sector into the tax net.

Commencement: 1 January 2020

Affordable housing relief

Enacted Provision: The Act amends Paragraph 3 of the Third Schedule to the ITA to reduce the affordable housing relief to 15% of the "employee's contribution" capped to ***KES 108,000*** per annum and not 15% of "gross emoluments" as provided for under the existing legislation.

Implication: The amendment significantly reduces the relief available for persons making contributions under affordable housing while closing a loophole that allowed persons to get a relief that is higher than their contributions.

Commencement: 1 January 2020

Relief for plastic recycling plants

Enacted provision: The Act amends Head B of the Third Schedule to the ITA by introducing a reduced corporation tax rate of 15% for companies operating a plastics recycling plant for the first five years from the year of commencement of operations.

Implication: The government has in the recent past made efforts to protect the environment through deliberate measures such as banning the use of plastic bags. This is intended to promote waste management for other forms of plastic through recycling.

Commencement: 7 November 2019

Home ownership savings plan

Enacted provision: Deposits in a registered home ownership savings plan (HOSP) had to be deposited with an approved institution (a bank or financial institution registered under the Banking Act, an insurance company licensed under the Insurance Act or a building society registered under the Building Societies Act)

Further such deposits had to be invested in accordance with the prudential guidelines issued by the Central Bank. The Act has extended these powers to the Capital Markets Authority (CMA) which now provide investment guidelines or regulations on how such deposits can be invested. In addition, under the Act, the amounts can also now be deposited with a fund manager or investment bank registered with the CMA.

Implication: The import of this amendment is to ensure that the benefits under HOSP which had been restricted can now be enjoyed through various instruments and vehicles that may be provided through CMA. Ultimately, this will provide more investment opportunities and returns to investors.

Commencement: 7 November 2019

Housing – incentives to developers

Enacted provision: The Act seeks to extend income tax exemption to investee companies of real estate investment trusts (REITs)

Previously, the ITA exempted only the trusts from tax without exempting the investee companies. Ordinarily, REITs hold their investments through investee companies and as such tax exemption would only benefit the REITs.

Implication: This amendment is expected to boost the government's affordable housing agenda and make REITs more attractive.

Commencement: 7 November 2019

Income Tax

Withholding tax on re-insurance premiums

Enacted provision: Previously, the ITA was silent as to whether withholding tax (WHT) was applicable on re-insurance premiums paid to non-residents. The Act introduces an obligation to withhold tax on re-insurance premiums paid to non-residents except those paid in respect to aircraft.

Implication: It is expected that this will increase the cost of re-insurance where premiums are paid net of tax. In light of the amendment insurance companies seeking to re-insure might want to procure services from countries with which Kenya has a double tax avoidance agreement to avoid the WHT cost.

Commencement: 7 November 2019

Penalty on unpaid tax

Enacted provision: Previously the ITA contradicted the provisions of the Tax Procedures Act (TPA) by providing for a penalty of 20% on unpaid tax while the TPA provides for a penalty of 5%.

Implication: By deleting this provision of the ITA, the penalty regime has effectively been transferred to the TPA and aligned for all tax laws.

Commencement: 7 November 2019

Standardizing taxation - PE

Enacted provision: Currently, permanent establishment are not required to take a tax deduction on payments to their head office. Such payments are also not subject to WHT.

Implication: This effectively means that where a Double Tax Agreement allows a branch to take a deduction for head office expenses, such expenses will be subject to WHT.

Commencement: 7 November 2019

CGT exemption

Enacted provision: The Act amends paragraph 13 of the Eighth Schedule to the Income Tax Act by exempting gains accruing from the transfer of property that is necessitated by a transaction involving the incorporation, recapitalization, acquisition, amalgamation, separation, dissolution or similar restructuring of a corporate entity from the computation of capital gains tax, where such transfer is;

- A legal or regulatory requirement;
- As a result of a directive or compulsory acquisition by the government;
- An internal restructuring within a group which does not involve transfer of property to a third party; or
- In the public interest and approved by the CS.

Implication: The proposal to exempt property transfers arising out of group restructure or re-organization form CGT serves to lower the costs of restructuring which in most cases results from statutory requirements or desire to lower the cost of doing business through consolidations.

Commencement: 7 November 2019

Income Tax

Thin capitalisation

Enacted Provision: Foreign controlled companies implementing projects under the affordable housing scheme shall be exempt from the thin capitalisation provisions upon recommendation by the CS responsible for housing.

Implication: This amendment is aligned to the Big Four Agenda to encourage the private sector to source funds for the scheme even externally.

Note:

The provisions of the ITA restricted interest payments in the proportion of the excess of loans against equity beyond the 3:1 ratio and deemed interest payments on interest free loans which were both disallowed for income tax purposes.

The proviso to this paragraph read:

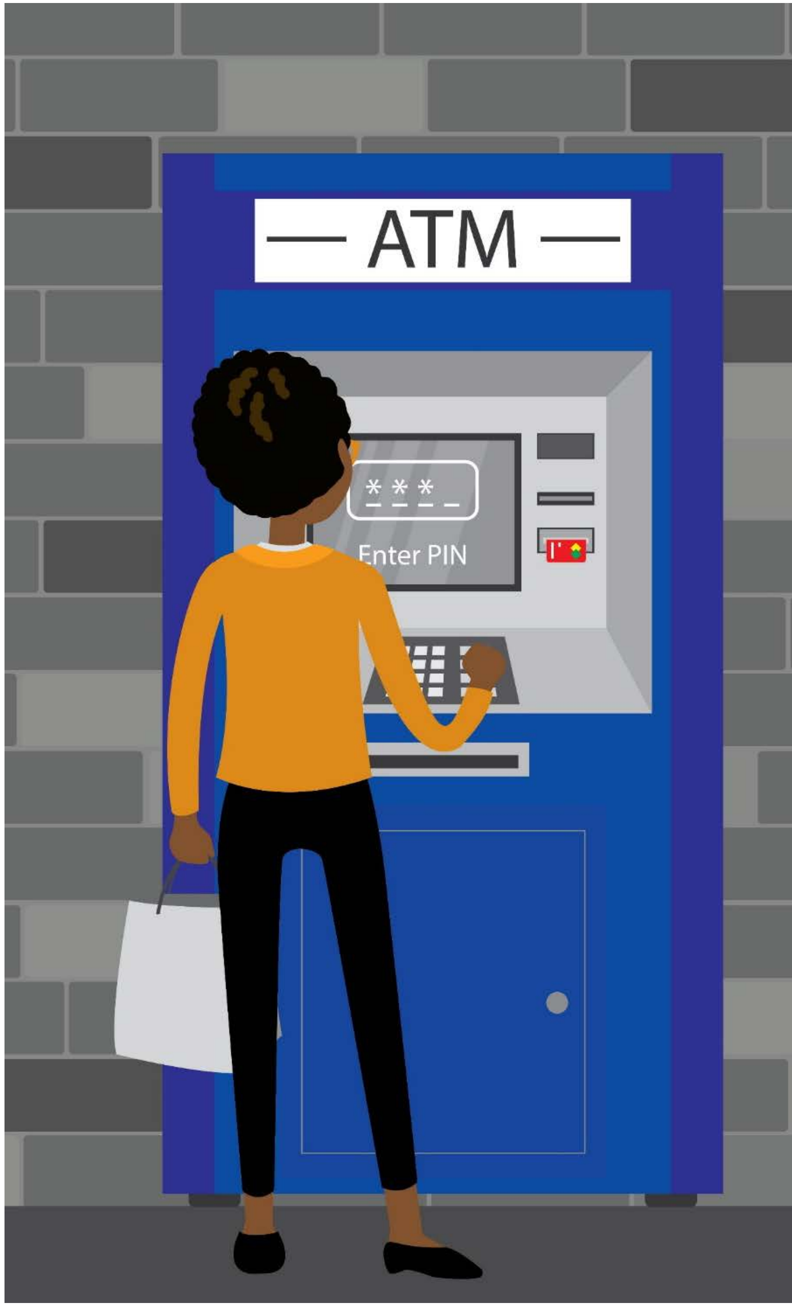
*"Provided that this paragraph **shall also apply** to loans advanced to the company by a non-resident associate of the non-resident company controlling the resident company"*

The amendment now reads:

*"Provided that this paragraph **shall apply** to loans advanced to the company by a non-resident associate of the non-resident company controlling the resident company"*

Based on the above, and a strict interpretation of the law, the provisions of Section 16(2)(j) of the ITA under the amendment may be deemed to restrict thin capitalization to ***loans advanced to a company by a non-resident associate of the non-resident company controlling the resident company."***

Commencement: 1 January 2020



Income Tax

Income tax exemptions

Enacted provisions: The Act introduces new provisions under the First schedule to the ITA.

Under this amendment, the following are exempt from income tax;

- Income of the National Housing Development Fund.
- Income earned by an individual who is registered under the Ajira Digital Program for three years beginning January 2020 provided that the individual qualifies for exemption upon payment of registration fees of ten thousand shillings per annum.
- The amount withdrawn from the National Housing Development Fund to purchase a house by a first-time home owner.
- Interest income accruing from listed bonds, notes or other similar securities used to raise infrastructure, projects and assets defined under Green bonds Standards and guidelines, and other social service.

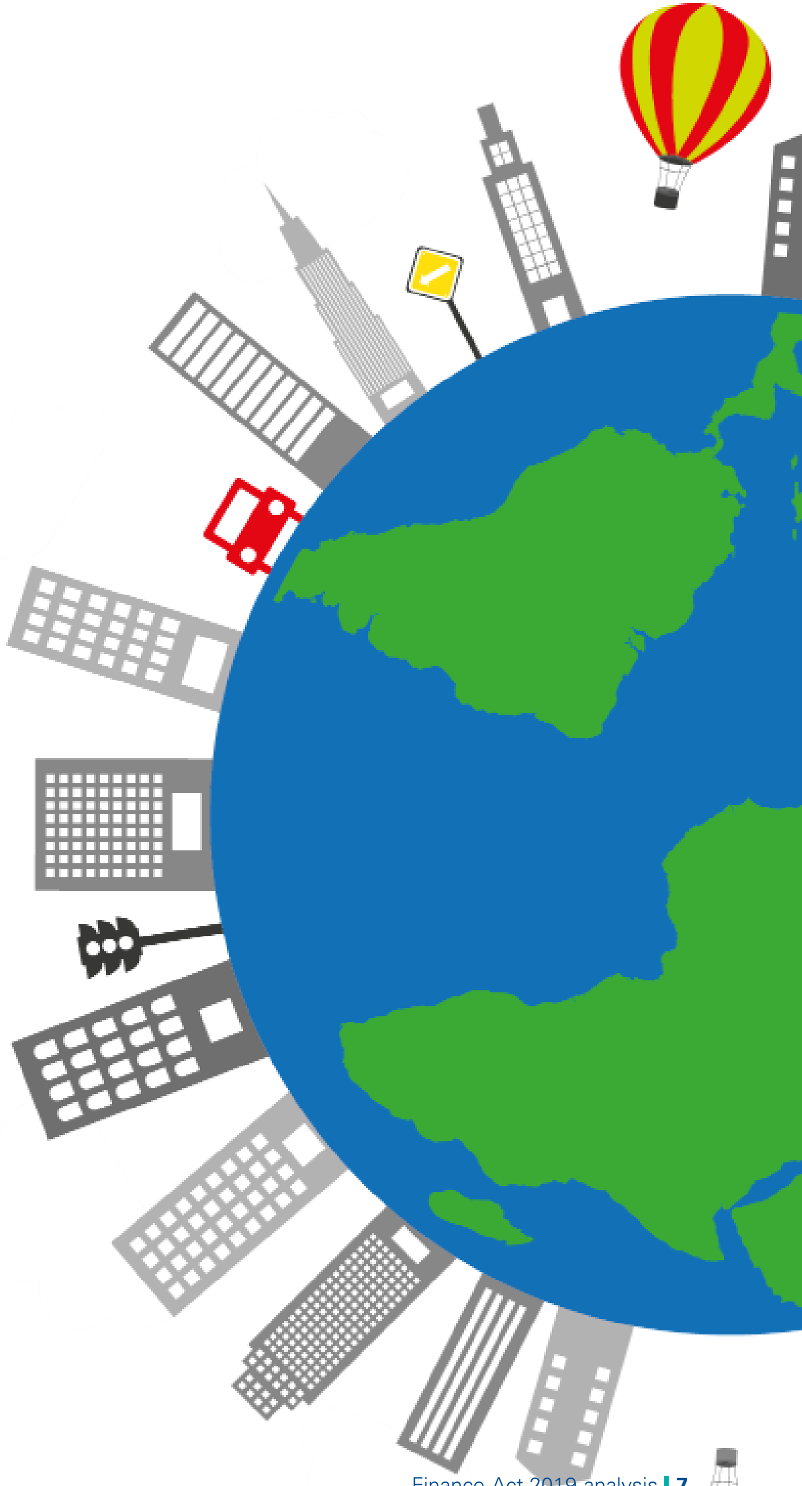
  Provided that such bonds, notes or securities shall have maturity of at least three years.

Implication: This amendment comes at a time when there is a global clamour for going green, hence serves as an incentive for trading in green bonds.

Further, exempting drawings made from NHDF from income tax allows the fund to retain additional funds makes affordable housing realizable in light of the government agenda.

Exempting income earned through the Ajira digital program from tax is meant to facilitate growth and avoid increased costs of operation that finally push players out of the market. This is in line with the country's agenda to encourage self-employment of the youth.

Commencement: 1 January 2020



Value Added Tax Act

Value Added Tax Act

All commencement dates are 7 November 2019

VAT on imported services

Enacted provision: The Amendment broadens the definition of supply of imported services to apply to persons not registered for VAT.

Implication: This places an obligation on everyone who imports services to declare and account for reverse charge VAT. Currently, there is no mechanism to facilitate unregistered persons to account for reverse charge VAT.

We anticipate administrative guidelines on the implementation of this provision.

Concessional loans

Enacted provision: The Act introduces the definition of a "concessional loan" as a loan with at least twenty-five percent grant element.

Implication:

This provision aims to clarify what constitutes a concessional loan for purposes of enjoying VAT exemption benefits. Currently, the VAT Act exempts taxable services and goods (imports or local purchases) that are directly and exclusively used in the implementation of official aid funded projects, upon approval by the CS.

VAT: Digital marketplace

Enacted provision: The Act has expanded the scope of supplies subject to VAT to include supplies made through the digital marketplace.

The CS shall make regulations to provide the mechanisms for implementing this provision.

Exports from SEZ

Enacted provision: Previously, goods were only considered to have been imported when removed from an export processing zone (EPZ).

The Act has now extended this consideration to special economic zones (SEZ).

Implication: This is intended to align incentives and obligations accruing to SEZs to those of EPZs.

Securities Exchange

Enacted provision: The Act has deleted the exemption for *stock brokerage services* and replaced it with *securities brokerage services*.

Implication: This is intended to expand the exempted services beyond the traditional understanding of brokerage services for equities and stocks to all securities available for trade currently.

Value Added Tax Act

All commencement dates are 7 November 2019

Exempt supplies

Enacted provision: The Act exempted several supplies from VAT;

- Plant, machinery and equipment used in reconstruction of a plastics recycling plant;
- Electric accumulators and accessories
- Supply of supply of maize (corn) flour, cassava flour, wheat or meslin flour and maize flour containing cassava flour by more than ten percent in weight.
- Locally manufactured motherboards
- Inputs for manufacture of motherboards
- Goods imported or purchased locally for the direct and exclusive use in the construction of houses under an affordable housing scheme approved by the CS on the recommendation of the CS responsible for matters relating to housing;
- Musical instruments and other musical equipment, imported or purchased locally, for exclusive use by educational institutions, upon recommendation by the CS responsible for education.

The amendment has limited VAT exemption on the following supplies as follows:

- Solar equipment and accessories will be exempt upon recommendation by the CS for Energy;
- Road tractors for semi-trailers will now be subject to VAT.

Implication: Suppliers of the above goods will not be allowed to claim input VAT credits incurred in making /selling them . Consequently, it is likely that they will pass the input VAT element to the final consumers effectively increasing the cost of the above supplies.

The VAT exemption for affordable housing inputs will help to reduce the cost of houses under the affordable housing program. However, the inclusion of services in the exemption would have made this incentive more useful in reducing the costs.

Zero-rated supplies

Enacted provision: The following supplies are now zero-rated:;

- The supply of propane gas; and
- Agricultural pest control products.

Implication: Suppliers of the above goods will now be allowed to claim refunds on the input VAT incurred in making /selling them. Consequently, we expect their prices will go down for the benefit of the final consumers. It is also expected that the zero-rating of propane gas will make it a cheaper alternative fuel to natural gas. Further, the zero-rating of agricultural pest control products effectively reduces cost of inputs by farmers with the ultimate aim of reducing the cost of food in line with food security agenda.

Excise Duty Act

Excise Duty

All commencement dates are 7 November 2019

Betting transactions

Enacted provision: The definition in line with betting and lotteries have been aligned to the Betting, Lotteries and Gaming Act. The Act has also introduced a 20% excise duty on the amount wagered and staked and defined the time of supply for a betting transaction as the time a person stakes money on a platform or other medium provided by a bookmaker.

"Amount wagered or staked" is defined as money placed by a person for an outcome in a bet.

Implication: This new tax will further burden the betting industry as there already exists a 15% betting tax, 30% corporation tax and 20% withholding tax on winnings.

Annual inflationary adjustments

Enacted provision: Excisable goods that have specific rates of excise duty are subjected to an adjustment for inflation every year with effect from 1 July. This has now been moved to 1 October.

Implication: This amendment aims at providing adequate time for obtaining actual data on average inflation for the previous year before effecting the adjustment.

Local assemblies and clean energy

Enacted provision: The Act has replaced the excise duty rates relating to motor vehicles with the following new rates:

Particulars	Old	New
Imported motor vehicles (over 1500cc)	20%	25%
Motor vehicles including, station wagons and racing cars for transport of persons	30%	35%
Electric powered motor vehicles	20%	10%

Stiffer penalties

Enacted provision: For contravention of any provision of the act, the Act imposes a general penalty upon conviction not exceeding ***KES 2 million*** or imprisonment for a term not exceeding two years or both.

Implication: This amendment seeks to impose stiffer penalties to discourage non-compliance and will also be useful in the fight against counterfeits.

"Other fees"

Enacted provision: The Act has excluded fees or commissions earned in respect of a loan or any share of profit from the definition of "other fees" effectively exempting the same from excise duty. It further excludes insurance premiums or premium based or related commissions specified in the Insurance Act or regulations made under it, effectively exempting the same from excise duty.

Implication: The definition of "other fees" has been a contentious issue between financial institutions and the Kenya Revenue Authority with industry players contending that fees or commissions earned in respect of a loan should be deemed as part of the return on loans and not an additional charge. This clarification effectively removes the ambiguity that had arisen.

Changes in excise duty rates

Enacted Provision: Excise duty on specified tobacco and alcoholic products has been increased by approximately 20% as tabulated in the next page. On the other hand, excise duty is no longer applicable on plastic shopping bags, local sugar confectionary and local white chocolate.

Implication: This appears to be the focus of the National Treasury which estimates to raise an additional amount of revenue of about ***KES 4.629 billion*** from the increase in excise duty on tobacco and alcoholic products. The additional cost may however negatively impact on the consumption of the same thereby stagnate the expected revenue. The ban on the use of plastic shopping bags may have necessitated their removal from the Schedule.

Excise Duty

All commencement dates are 7 November 2019

The following are the key changes in excise duty rates for cigarettes and alcoholic beverages:

Description	Old rate* (KES)	New rate (KES)
Cigars, cheroots, cigarillos, containing tobacco/substitutes	10,520/kg	12,624/kg
Electronic cigarettes	3,156/unit	3,787/unit
Cartridge for use in electronic cigarettes	2,104/unit	2,525/unit
Cigarette with filters	2,630/mille	3,157/mille
Cigarettes without filters	1,893/mille	2,272/mille
Other manufactured tobacco and substitutes;	7,364/kg	8,837/kg
Fruit wines	157.80/litre	189/litre
Spirits of undenatured ethyl alcohol; liqueurs and other spirituous of over 10% Alc	210.40/litre	253/litre
Imported sugar confectionary - not containing cocoa	20/kg	20/kg
Imported white chocolate (blocs, slabs or bars) – containing cocoa	20/kg	200/kg
Imported gas cylinders	Nil	35%

*As per LN 239, dated 11 December 2018 which increased the specific Excise Duty rates by 5.2%

KPMG

Tax Procedures Act

Tax Procedures Act

All commencement dates are 7 November 2019

PIN requirements

Enacted provision: The TPA has been amended to empower the Commissioner General to waive the requirement of a Personal Identification Number (PIN) for purposes of opening a bank account for specific persons such as visiting foreigners, privileged persons and foreign investors. Further, the registration and renewal of membership of professional bodies or licensing agencies or the registration of pay bills and till numbers by telecommunication operators will now require a PIN.

Implication: Previously, it was mandatory to have a PIN in order to open a bank account which is quite an onerous process especially for foreigners due to the rigorous KRA requirements. The waiver of PIN requirement for foreigners will improve the ease of doing business especially for those who require bank account but are not resident locally.

The additional PIN requirements are aimed at widening the tax base and bringing active professional and self-employed persons within the tax net.

Refraining from assessment

Enacted provision: The Act has now granted SMEs seeking to raise funds under the Growth and Enterprise Market Segment (GEMS) program pioneered by the CMA amnesty on tax penalties and interest accruing within two years prior to listing with GEMS provided they have not been assessed or under investigation on tax related matters but only over the next three years.

Where such an entity delists before the lapse of fives years, they penalties and interest previously waived will become due and payable.

Implication: Many SMEs have been struggling to meet the stringent listing requirements under GEMS, specifically the requirement to be fully tax compliant prior to listing with the GEMS. This is expected to spur the growth of SMEs because they will be in a position to access cheap capital and ultimately accelerate Kenya's economic growth.

Penalty for failure to deduct withholding tax

Enacted provision: The Finance Act, 2016 deleted the provision which placed the obligation to pay the principal tax on the person required to deduct or withhold tax and remit the same to the Commissioner. The principal tax obligation has now been re-introduced and applies to all taxes that require deduction or withholding.

Implication: Effectively, amounts not deducted or withheld shall be treated as if they were tax due and payable by the person required to account for withholding tax.

Reduction of withholding VAT

Enacted provision: The Act has reduced the WHVAT rate from 6% to 2%. Further, the provisions of the WHVAT regime shall not apply to zero-rated supplies.

Implication: This amendment, will go a long way in minimizing perpetual credit positions and cash flow constraint experienced by businesses whose funds are tied up in credits.

The previous WHVAT rate of 6% created perpetual credit positions and cash flow challenges for some taxpayers.

The amendment has also clarified that WHVAT does not apply to zero rated supplies..

Late submission penalty

Enacted provision: The TPA has been amended to provide that any tax payable or due under a return that has been filed late shall be set off against any amounts of tax and WHT already paid.

Implication: This effectively clears the ambiguity that was there in the Act and thus provides more clarity as to the late submission of tax return penalty.

Tax Procedures Act

All commencement dates are 7 November 2019

Departure prohibition order

Enacted provision: Under the TPA, where the Commissioner has reasonable grounds to believe that a person may leave Kenya without paying tax that is or will become payable by him or by a company where he is a controlling member, he may issue a departure prohibition order against the person. The Act has amended this provision to include tax representatives to be among the people against whom a departure prohibition may be issued.

Implication: The persons (tax representatives) covered will now include chief executive officers, managing directors, company secretaries, treasurers, trustees, resident directors or similar officers.

Objection to tax decision

Enacted provision: Under the TPA, the Commissioner is currently required to issue an objection decision within ***60 days*** from the date a taxpayer lodges an objection to any tax assessment .The Act has amended this provision to give the Commissioner a window to extend this period by way of requesting for additional information before issuing an objection decision.

Implication: It is possible that the additional information requested by the Commissioner subsequent to the objection by the taxpayer may assist in resolving the dispute. However, it is also possible that it may delay the issuance of objection decisions by the Commissioner where information is requested for the sole purpose of procedurally extending time, effectively delaying the resolution of the tax disputes which is expected to be expeditious, efficient, lawful, reasonable and procedurally fair.

Miscellaneous Fees & Levies Acts

Miscellaneous Fees & Levies Acts

All commencement dates are 7 November 2019

Fees and levies

Enacted provision: The Act has increased the import declaration fees (IDF) and the railway development levy as follows:

Particulars	Old	New
IDF	2%	3.5%
RDL	1.5%	2%

Implication: This appears to be the focus of the National Treasury which estimates to raise an additional amount of revenue. The additional cost may however negatively impact on cost of imported goods.

However, IDF and RDL is 1.5% for:

a) raw materials and intermediate products imported by approved manufacturers (for IDF only);

b) raw materials and intermediate products imported by manufacturers approved by the CS on the recommendation of the CS for industry (for both IDF & RDL); and

c) inputs for construction of affordable houses approved by CS housing (for both IDF & RDL).

Levy refund on kerosene

Enacted provision: The Act has empowered the Commissioner to refund the anti-adulteration levy imposed on illuminating kerosene upon written application by the importer.

The levy of KES 18 per litre is only refundable where it is shown that the kerosene was used by a licensed or registered manufacture to manufacture paint, resin or shoe polish.

Implication: Effectively, this will reduce the cost of paint, resin or shoe polish manufactured in Kenya.

Other Acts

Miscellaneous

All commencement dates are 7 November 2019

The Privileges and Immunities Act

VAT Exemption: The Act has amended the Fourth Schedule to the Act to effectively exempt goods and services imported or purchased locally by privileged organizations for their use from taxes.

This in line with universal practice and the principal of reciprocity for similar tax incentives granted to the Kenyan privileged personnel abroad.

The Retirement Benefits Act

Treatment of Unclaimed Benefits: The Act has amended the Retirement Benefits Act to the effect that accrued benefits of a member to a retirement benefits scheme under the Act shall become unclaimed financial assets if two years after the completion of winding up proceedings in respect of a scheme under the Act, the liquidator is unable to trace that member.

A trustee may Accrued benefits may be treated as unclaimed benefits if:

- scheme member entitled to such accrued benefits has not lodged any claim and the trustee is unable to locate that member after taking the specified steps;
- a scheme member has lodged a claim with the trustee but the trustee is subsequently unable to locate that member after taking the specified steps; or
- the member or beneficiary has not—
  - (i) increased or decreased the principal;
  - (ii) accepted any payment in respect of the accrued benefits;
  - (iii) communicated with the scheme concerning the accrued benefits; or
- indicated any other interest in the accrued benefits as evidenced by a record prepared by the trustees.

The Banking Act

Lifting of the interest rate cap: Section 33B of the Banking Act that previously limited a bank or financial institution to set the maximum interest rate chargeable for a credit facility in Kenya at no more than 4% of the CBK prescribed rate has been repealed.

The above notwithstanding, the terms of loans issued under the provisions of the above section will continue for the duration of the loan agreement. They can however be revised downwards.

It is expected that the repeal of the interest rate cap will enhance access to credit especially for micro, small and medium sized enterprises (MSMSEs) which are key economic drivers.

To achieve this noble objective, it would be advisable that the government reduce its appetite for domestic borrowing. This is because most financial institutions would prefer lending to the government to cushion themselves against any default lending risks since government securities are perceived to be risk free.

The Capital Markets Act

Consideration of Financial Penalties as Civil Debt: The Act has amended several sections of the Capital Markets Act.

Under the new provision, financial penalties imposed under the Capital Markets Act will be considered as civil debts owed to the Capital Markets Authority.

Further, the Capital Markets Authority will have the mandate to recover them in line with provisions for the recovery of decretal sums.

This will most certainly assist the authority in its bid to enhance enforcement of its rules and regulations among its members.

Miscellaneous

All commencement dates are 7 November 2019

Standards Act

Consolidator: The Act has amended the Standards Act to introduce the concept of consolidating cargo. A consolidator has been defined as a person who assembles cargo belonging to various persons to form one consignment. Once imported, the cargo may be de-consolidated and consigned to the individual owners within the country.

Several MSMEs have been complaining that they lack the financial muscles to import large consignments for products that they would otherwise sell in smaller quantities, or to a small market.

To qualify to be registered as a cargo consolidator, a company should:

a) Be tax compliant;

b) Be a member in good standing of a recognized consolidation association;

c) Must have a warehouse in the country of origin and destination; and

d) Not committed offences relating to the importation of counterfeit or substandard goods

Under the transitional clause, companies already operating as consolidators will be allowed to continue operating as such to provide them with a grace period for complying with the above requirements.

Employment Act

Basic salary: While there has always been a general consensus as to what constitutes "basic salary" the Employment Act has been amended to remove any ambiguity.

The definition of employee earnings has been deleted and a new definition of basic salary included. Under the Act, basic salary shall be an employee's ***gross salary excluding allowances and other benefits***.

Housing Act

General penalty: There had been concerns that the penalties prescribed under the National Housing Development Fund were not enough to deter persons from committing offences under the Housing Act in relation to the Fund.

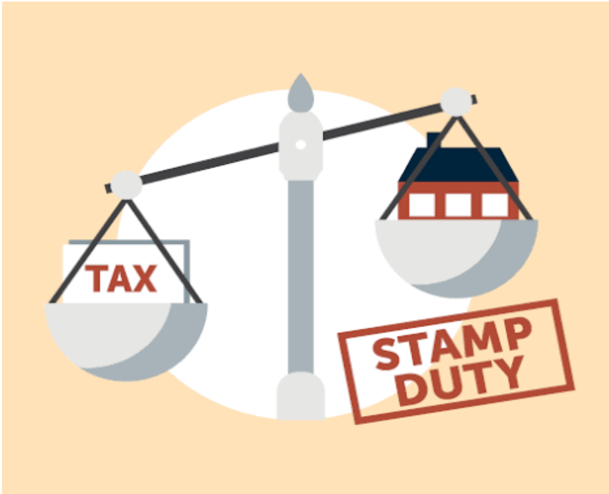
The Act has therefore introduced a general penalty of a fine not exceeding ***KES 1 million*** or to imprisonment for a term not exceeding three years or both.

Further, where an Act or omission of a person results in the loss of money from the National Housing Development Fund, the person shall be liable to a penalty equivalent to twice the amount of money lost.

It is expected that such measures will provide the impetus required in recruiting more people into the affordable housing scheme by the Government.

Stamp Duty Act

Exemption from stamp duty: In line with the Housing Agenda under the Big 4, the Act has exempted from duty the transfer of a house constructed under an affordable housing scheme from the developer to the National Housing Corporation.



Contact

Benson Ndung'u
Chief Executive Officer, Senior Partner and Head of Tax and Regulatory Services
T: +254 709 576 905
E: bndungu@kpmg.com

Peter Kinuthia
Partner, Tax and Regulatory Services
T: +254 709 576 215
E: pkinuthia@kpmg.co.ke

Clive Akora
Partner, Tax and Regulatory Services
T: +254 709 576 245
E: cakora@kpmg.co.ke