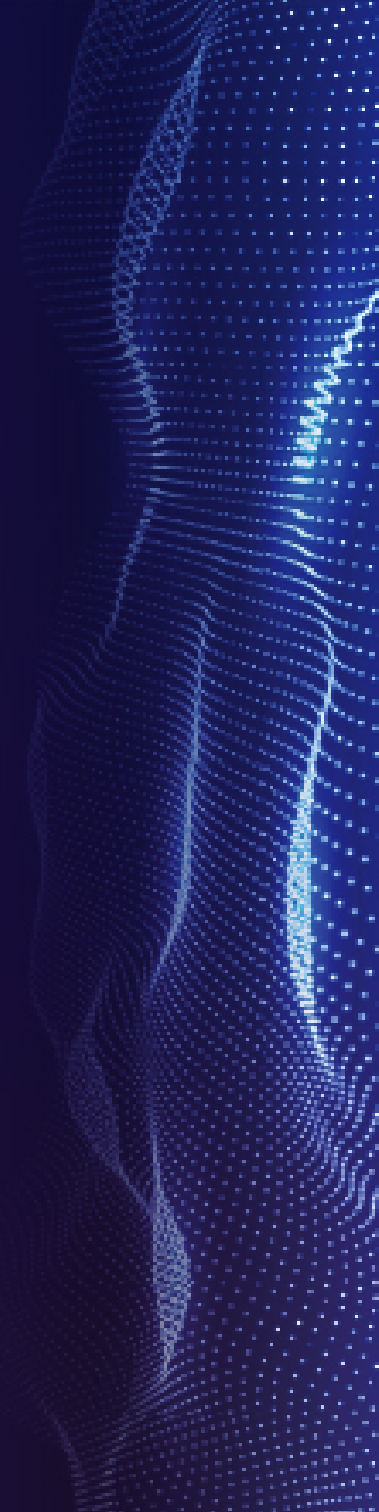




# Tax Data Card

**East Africa**

2020/21



## CORPORATE AND WITHHOLDING TAXES

### Corporate taxes

	Kenya %	Uganda %	Tanzania %	Rwanda %	Ethiopia %
Resident companies	30	30	30*	30*	30 $\mu$
Betting companies	15 $\lambda$	30	-	-	-
Branches	37½	30	30	30	30

$\lambda$  The 15% corporate tax applies on gross revenues earned by betting, lottery and gaming companies.

$\mu$  Mining and petroleum companies are taxed at a rate of 25%.

\*Reduced corporation tax rates for newly listed companies in Tanzania and Rwanda as follows:

	Tanzania	Rwanda
With 20% issued shares listed		First 5 years after listing 28%
With 30% issued shares listed	First 5 years after listing 25%	First 5 years after listing 25%
With 40% issued shares listed		First 5 years after listing 20%

#### Rwanda

- Losses can be carried forward for five (5) subsequent tax years with an option to apply for extension.
- Small businesses pay a lump sum tax of three per cent (3%) of the turnover while micro enterprises pay a flat tax as follows:

Annual Turnover (Rwf)	Flat amount (Rwf)
2,000,000 – 4,000,000	60,000
4,000,001 – 7,000,000	120,000
7,000,001 – 10,000,000	210,000
10,000,001 – 12,000,000	300,000

- Effective April 2018, professional service providers should account for tax at 30% and prepare audited financial statements.

#### Kenya

- Carry forward of losses is capped to 10 years from 1 January 2016.
- Effective 25<sup>th</sup> April 2020, turnover tax is applicable to a resident person whose turnover from business is between KES 1,000,000 and KES 50,000,000 per annum. The tax is 1% of the total turnover and it is payable by the 20<sup>th</sup> of the subsequent month from when the revenue is made. In addition, turnover tax is now applicable to incorporated companies, however, the turnover tax regime does not apply to rental income, management or professional or training fees; or Income which is subjected to withholding tax as a final tax.
- Effective 25<sup>th</sup> April 2020, companies operating a plastic recycling plant in Kenya no longer enjoy the reduced rate for the first five years of operation and are instead taxed at the normal CIT rate.
- Effective 1 January 2018, new motor vehicle assemblers are taxed at a reduced rate of 15% for the first 5 years of operation. This rate can be extended for an additional 5 years if they achieve a local content of 50% of the ex-factory value of the vehicle.
- Effective 1<sup>st</sup> January, 2021, businesses will be subject to a 1% minimum tax on gross income paid on the 20<sup>th</sup> day of the fourth, sixth, ninth and twelfth months. The minimum tax will be payable if the income is not exempt under the ITA, the income is not from employment, residential rent, capital gains, mining or oil exploration or subject to turnover tax or where the instalment tax payable is higher than the minimum tax payable. Further income of a person engaged in business whose retail price is controlled by the Government as well as income of a person who is engaged in insurance business is exempt from minimum tax.
- Effective 1<sup>st</sup> January 2021, a digital services tax shall be payable on income which is derived or accrued in Kenya from the provision of services through a digital market place. The DST is computed at a rate of 1.5% of the gross transaction value.
- Effective 1<sup>st</sup> January, 2021, Income of Home Ownership Savings Plans shall be subject to tax.
- Effective 1<sup>st</sup> January 2021, Entrance and membership subscriptions paid to a trade association, all listing expenses including legal and other incidental capital expenditure, and club subscriptions paid for employees shall be disallowable expenses for the purposes of income tax.

#### Ethiopia

- Carry forward of losses is capped at 5 years.
- If for two tax years a taxpayer has incurred a loss and each of those losses has been carried forward, the taxpayer is not allowed to carry forward any losses from a third tax year. Carry forward of losses is therefore limited to losses for two tax years at any given time.
- Companies in the mining sector can carry forward losses for a period of 10 years

#### Tanzania

- Effective July 2018, the corporate income tax rate has been reduced from 30% to 20% for new investors in the pharmaceutical and leather industries for five consecutive years from the year of commencement of production. The rate will apply after entering into performance agreement with the government.
- From July 2019 (deemed to have come into effect in July 2017), interest, fees and other financing charges paid by the government to non-resident banks / financial institutions and other governments are exempt from tax.
- Effective 1 July 2019, an entity dealing in manufacture of sanitary pads and having a performance agreement with the Government of Tanzania shall be taxed at a corporate tax rate of 25% for two consecutive years.
- Losses can be carried forward indefinitely but an Alternative Minimum Tax (AMT) is charged at 0.5% on turnover for a company making losses for three consecutive years
- Effective 01 July 2020, only 70% of unrelieved losses can be utilized in calculating the chargeable income where an entity has made losses for four or more previous consecutive years.
- Effective July 2017, newly established assembling plants for motor vehicles, tractors, fishing boats or out boats engine with a performance agreement with the Government of Tanzania are taxed at a corporate tax rate of 10% for the first five years from the date of commencement of operations.
- Effective 01 July 2020, non-resident persons and beneficial owners will be taxed through their local agents or

representatives ("representative assessee") on income realized in the United Republic of Tanzania.

- Presumptive income tax applicable on gross income not exceeding the threshold of TShs 100,000,000 is as follows:

Annual Turnover (TShs)	Amount for individuals with no records (TShs)	Amount for record keeping individuals (TShs)
0 – 4,000,000	NIL	NIL
4,000,001 – 7,000,000	100,000	3% of the turnover in excess of TShs. 4,000,000
7,500,001 – 11,000,000	250,000	TShs. 90,000 plus 3% of the turnover in excess of TShs. 7,000,000
11,000,001 – 14,000,000	450,000	TShs. 230,000 plus 3% of the turnover in excess of TShs. 11,000,000
14,000,001 – 100,000,000	Not Applicable	TShs. 450,000 plus 3.5% of the turnover in excess of TShs. 14,000,000

#### Uganda

- There is no time limitation for carrying forward of tax losses. However, a tax loss shall not be carried forward if there has been a change of 50% or more in the underlying ownership of a company and, for a period of two years thereafter:
  - the company does not carry on the same business; and
  - It engages in a new business or investment with the primary purpose of utilizing the loss against the resultant income.
- Turnover tax applicable on gross income of UShs 150 million and below is as follows:

Annual Gross Turnover (UShs)	Rates for persons with records (UShs)	Rates for persons without records
10,000,000 or less	NIL	NIL
10,000,001- 30,000,000	80,000	0.4 % of the annual turnover in excess of 10 million
30,000,001- 50,000,000	200,000	8,000 plus 0.5% of the annual turnover in excess of 30 million
50,000,001- 80,000,000	400,000	180,000 plus 0.6% of the annual turnover in excess of 50 million
80,000,001- 150,000,000	900,000	360,000 plus 0.7% of the annual turnover in excess of 80 million

#### Special Economic Zones

	Kenya	Rwanda	Tanzania	Ethiopia
<b>Corporation Tax</b>	First 10 years – 10% Next 10 years – 15%	<ul style="list-style-type: none"> <li>- 0% for an international company with its headquarters or regional office in Rwanda</li> <li>- 15% for an investor exporting at least 50%</li> <li>- 7 year tax holiday for investors putting in at least USD 50 Million with 30% as equity</li> <li>- 5 year tax holiday for microfinance institution approved by Bank of Rwanda</li> </ul>	Exempt for 10 years	<ul style="list-style-type: none"> <li>- 10 – 15 years exemption depending on location of industrial park</li> <li>- Additional 2-4 years for industrial park enterprises with 100% export plan and those that achieve at least 80% export, depending on location of industrial park</li> </ul>
<b>VAT</b>	Exempt	Refunds within 30 days on receipt of the relevant tax return document. However registered investors are refunded within 15 days after the relevant application.	Exempt from VAT on utility charges.	Exempt on importation of machinery, equipment, construction materials and vehicles
<b>Customs and Excise Duty</b>	Exempt	Exempt from customs  Exempt from Excise duty for qualifying activities	Raw materials and capital goods are exempt.	Exempt on importation of machinery, equipment, construction materials and vehicles
<b>Stamp Duty</b>	Exempt from stamp duty.	-	Exempt from stamp duty.	-

#### Export Processing Zones

	Kenya	Uganda*	Tanzania
<b>Corporation Tax</b>	First 10 years – exempt Next 10 years – 25%	10 year tax holiday or exemption for qualifying activities	Exempt for 10 years

<b>VAT</b>	Exempt	Exempt at importation for qualifying activities	Exempt utility and wharfage charges, raw materials and goods of capital nature related to production in EPZs
<b>Customs and Excise Duty</b>	Exempt	Exempt	Exempt raw materials and goods of capital nature related to production in EPZs
<b>WHT</b>	10 year holiday		Exempt on rent, dividends and interest for 10 years

\* Exemption from taxes and duties on all export processing zone imported inputs that are for the exclusive use in the development and production output of the business enterprise including machinery and equipment, spare parts, raw materials and intermediate goods (subject to any limitation specified in the East African Customs Management Act).

#### Withholding taxes

	Resident					Non-resident				
	K %	U %	T %	R %	E %	K %	U %	T %	R %	E %
Branch profits	-	-	-	-	-	-	15	10	-	10
Dividends, Annual directors fee	5*σ -	15 ♣	10σ*** 15	15 30	10 -	15 -	15 -	10 σ	15 *	10 -
Lottery and other gambling proceeds	20≠	15	-	15	15	-	15	-	15	15
Good supplied by persons not registered as Taxpayers in Rwanda	-	-	-	-	-	-	-	-	15	-
Management, professional, service and training fees.	5	6	5	15 σ	2	20 φ	15	15	15 σ	15
Contractual fees (building, civil and engineering)	3	6	5	15 σ	2	20	15	15	15	15
Royalties.	5	6	15	15 σ	5	20	15	15	15	5
Sporting /entertainment fees	-	6	5	15 σ	-	-	15	15	15	10
Rent - commercial and residential	10**	6**	10	-	15	30	15	10	-	15
Rent -lease of equipment	-	6	-	-	15	15	15	10	15	15
Rent -lease of aircraft/aircraft engines	-	-	10	-	-	-	-	10	15	-
Public supplies/tender	-	-	-	3	-	-	-	-	3	-
Imported goods	-	6	-	-	3	-	-	-	5	3
Interest	15∞	15	10	-^	10μ	15	15	10	15	10
Interest on Government security	15»	20P	-	-	10	15	20	¥	15	10
Interest on - housing bonds	10 δ	-	-	-	10	15	-	-	-	10
Interest on - bearer instrument	25♦	15	-	-	10	25	15	-	-	10
Insurance/reinsurance premiums	-	6	-	-	-	5ν	15	5	-	5
Commissions – brokers/agents	5	6	-	-	2	20	15	-	15	15
Commissions - agents and others	10	10 +	-	-	2	20	15	-	15	15
Sale of assets by a non-resident to a resident	-	-	-	-	-	-	10	-	-	-
Shipping and road transport	-	6	-	-	-	20 γ'	2	-	-	-
Telecommunication and Internet connectivity	-	6	-	-	-	-	5	-	-	-
Agricultural supplies	-	-	-	-	-	-	15	-	-	-
Commissions paid by telecoms to airtime and mobile money service providers	-	10	-	-	-	-	10	-	-	-
Registered individuals without a recent proof filed annual tax return	-	-	-	15	-	-	-	-	-	-
Any payment to a resident person who fails to provide a Tax Identification Number (TIN)	-	-	-	-	30	-	-	-	-	-
Payment to local suppliers of goods and services whose value is in excess of ETB 10,000 and ETB 3,000 respectively	-	-	-	-	2	-	-	-	-	-
Messages transmission by cable, VSAT, television, radio	-	-	-	-	-	5	5	-	-	-
Shipping (including demurrage costs) and air transport	-	-	-	-	-	2.5	2	-	-	-
Marketing, sales promotion and advertising	-	-	-	-	-	20	-	-	-	-

	Non-resident				
	K %	U %	T %	R %	E %
<b>Special rates for non-resident Petroleum/ Mining companies</b>					
Dividends	15	15	10	-	-
Interest	15	15	10	-	-
Management fees, training and professional fees	12½	10	15	-	-
Royalty	20	15	15	-	-
Subcontractor / licensee service fee	5.625β	10	-	-	10
Indirect transfers of mining and petroleum rights					10

\*σ - Same rate of 5% to apply to East African Community citizens

♣ - Does not apply on payment of dividends by a resident company to another resident company with shareholding more than 25%. For listed companies, tax is withheld at 10% on payment of dividends to individuals.

σ - 5% for listed companies.

\*\*\* - WHT on dividends paid by a resident corporation to another resident corporation with shareholding of 25% or more is 5%

\* - WHT on dividends and interest paid to residents of East Africa Community on investments in listed bonds with a maturity of 3 years is 5%.

Ω - In Rwanda, all service fees are subject to withholding tax of 15% except the transport service for registered transporters.

\*\* - In Kenya, only withholding tax agents appointed by the Commissioner to withhold tax on rental income which does not exceed KES 15,000,000 and is more than KES 288,000 per annum. In Uganda, only gazetted withholding tax agents can withhold tax on rental income

φ - 15% on consultancy fees for East African citizens.

^ - Interest on savings on deposits of more than one year is exempt from WHT in Rwanda

≠ - Winnings from any kind of betting gambling, lottery now attract 20% WHT in Kenya.

¥ - interest payable by strategic investors in Tanzania to non-resident financial institutions are exempted from WHT.

∞ - Interest on bonds issued by East African Development Bank (EADB) is exempt from tax. Effective 1 July 2016

» - Includes interest on Government bearer bonds of at least two years, treasury bills and bonds.

ρ - For government securities whose period of maturity does not exceed 10 years and 10% for government securities whose period of maturity is at least 10 years.

♦ - Interest on bearer bonds with a maturity of ten years and above is 10%

ÿ - Insurance/reinsurance premium paid in respect of aircraft is exempt. Effective 25<sup>th</sup> April 2020, reinsurance premiums paid to non-residents are subject to WHT at the rate of 5%.

δ - Qualifying interest in respect of Housing Bonds is limited to KES 300,000 per year.

β - This applies to non-residents without a permanent establishment in Kenya.

μ - Interest from saving deposits from financial institutions

γ - Effective 25<sup>th</sup> April 2020, WHT has been expanded by including transportation of goods by non-residents among the services that are subject to WHT at the rate of 20%. However, Air and Shipping transport services were however excluded from the change. Further, EAC Community citizens are also exempted from the tax.

+ - Effective 01 July 2020, the WHT rate on payments to insurance and advertising agents is 10%.

#### Additional notes on withholding tax:

- In Uganda resident taxpayers can apply for an exemption from the 6% withholding tax.
- In Kenya interest income accruing from all listed bonds with a maturity of at least 3 years used to raise funds for infrastructure and social services are exempted from tax
- Payments made by producers approved by the Kenya Film Commission to actors and crew members are exempt from withholding tax
- Effective 7 November 2019, the withholding tax provisions are applicable on payments made, or purported to be made, by a branch in Kenya to the head office where Double Tax Avoidance Agreement provides for the same.
- In Rwanda dividends and interest income on listed securities and listed bonds with a maturity of three years and above are subject to 5% withholding tax for locals and residents of the East African Community. In Rwanda, Withholding tax is charged on provisions or accruals not settled within six months

#### **REGIONAL DOUBLE TAX AVOIDANCE TREATIES**

Withholding tax rates applicable on payments to residents of countries that have signed Double Tax Avoidance Treaties with the countries in the region are as follows:

Kenya	United Kingdom %	Germany Canada %	Denmark Norway Sweden Zambia %	India Ø %	France %	South Africa %	South Korea Ø %	Qatar Ø %	UAE and Iran %
Management/professional fees	12.5	15	20	17	Ω	Ω	Ω	Ω	Ω
Royalties	15	15	20	10	10	10	10	10	10
Dividends	10	10	10	10	10	10	10α	10π	5
Interest	15	15	15	10	12	10	12	10	10
Pension and retirement annuities	5	5	5	5	5	-	-	-	-

Effective 1 January 2016 Kenya adopted a unilateral Limitation of Benefit to apply

Ø - The Kenya India DTA (1990) replaced with renegotiated DTA effective 1 January 2018

Ω - As business profits

α - 8% WHT where beneficial owner is a company which holds directly at least 25% of capital

π – 5% WHT tax where the beneficial owner is a company which holds at least 10% of capital.

## Uganda

	United Kingdom %	Italy %	Netherlands %	Denmark, India, Mauritius, Norway, South Africa, Zambia %
Dividends	15	15	0-15+	10
Interest	15	15	10	10
Royalties	15	10	10	10
Technical fees	15	10	0 or 15+	10

‡ Depending on the level of shareholding and investment specified in the tax treaty

## Tanzania

	Denmark %	Canada & Sweden %	India %	Norway & Finland %	South Africa %	Italy %	Zambia** %
Dividends	15	25*	10	20	20*	10	0
Interest	12½	15*	10	15	10	12½	0
Royalties	20	20	10	20	10	15	0
Technical fees	20	20	20	20	-	-	0

## Rwanda

	Belgium %	Mauritius & Jersey %	South Africa & Turkey %	Singapore & UAE %	Barbados %	Morocco %
Dividends on listed shares	15	10	10***	7.5	7.5	8
Interest	10	10	10	10	10	10
Royalties	10	10	10	10	10	10
Technical Fees	10	12	10	10	15	10

\*These rates are further reduced for certain percentages of ownership.

\*\*No withholding tax applicable subject to certain conditions.

\*\*\*The rate for South Africa is 20% of the gross amount of the dividends if the beneficiary owner is a company which holds less than 25 per cent of the capital of the company paying the dividends

## Ethiopia

	United Kingdom %	China %	Israel Kuwait Russia Ireland Cyprus %	India %	France %	South Africa %	Saudi Arabia %	Netherlands %
Royalties	7.5	5	5	5	7.5	5	7.5	5
Dividends	10	5	5	7.5	10	10	5	5π
Interest	5	7	5	10	5	8	5	5
Management/technical fee	15	15	15	15	15	15	15	15

π – 5% WHT tax where the beneficial owner is a company which holds at least 10% of capital.

## REGIONAL BUSINESS TAX CALENDARS

### Kenya

Tax payments	Deadline	Instalment tax % of profit	Minimum tax % of revenue	Agricultural companies %
1 <sup>st</sup> instalment or minimum tax	20 <sup>th</sup> of the 4 <sup>th</sup> month	25	1	-
2 <sup>nd</sup> instalment or minimum tax	20 <sup>th</sup> of the 6 <sup>th</sup> month	25	1	-
3 <sup>rd</sup> instalment or minimum tax	20 <sup>th</sup> of the 9 <sup>th</sup> month	25	1	75 (1 <sup>st</sup> )
4 <sup>th</sup> instalment or minimum tax	20 <sup>th</sup> of the 12 <sup>th</sup> month	25	1	25 (2 <sup>nd</sup> )
Balance of tax	End of the 4 <sup>th</sup> month after year end			End of the 4 <sup>th</sup> month after year end
Self-assessment return	End of the 6 <sup>th</sup> month after year end			End of the 6 <sup>th</sup> month after year end

## Uganda

Tax payments	Deadline	Percentage due %
1st Provisional return and instalment (non-individuals)	End of the 6th month	50
1st Provisional return and instalment (individuals)	End of the 3rd month	25
2nd Provisional return and instalment (non-individuals)	End of the 12th month	50

2nd instalment (individuals)	End of the 6 <sup>th</sup> month	25
3rd instalment (individuals)	End of the 9 <sup>th</sup> month	25
4th instalment and 2nd provisional return (individuals)	End of the 12 <sup>th</sup> month	25
Self-assessment return and balance of tax	End of the 6 <sup>th</sup> month after year end	

#### Tanzania

Tax payments	Deadline	Percentage due %	Agricultural companies%
1 <sup>st</sup> instalment	End of the 3 <sup>rd</sup> month	25	-
2 <sup>nd</sup> instalment	End of the 6 <sup>th</sup> month	25	-
3 <sup>rd</sup> instalment	End of the 9 <sup>th</sup> month	25	50
4 <sup>th</sup> instalment	End of the 12 <sup>th</sup> month	25	50
Provisional return	End of the 3 <sup>rd</sup> month		
Annual return and balance of tax	End of the 6 <sup>th</sup> month after year end		

#### Rwanda

Tax payments	Deadline	Percentage due
1 <sup>st</sup>	End of the 6 <sup>th</sup> month	
2 <sup>nd</sup>	End of the 9 <sup>th</sup> month	
3 <sup>rd</sup>	End of the 12 <sup>th</sup> month	
Annual return and balance of tax	End of the 3 <sup>rd</sup> month after year end	

\*The formula for the provisional tax: Previous year tax to turnover ratio multiply by the current year quarter turnover.  
This is a temporary resolution by the Government of Rwanda to facilitate tax payment during the Covid-19 period.

#### Ethiopia

Tax payments	Deadline	Percentage due %
Instalment	On the last day of the 6 <sup>th</sup> month	50% of previous year's tax due
Tax due for year	End of the 4 <sup>th</sup> month after year end	
Self-assessment return	End of the 4 <sup>th</sup> month after year end	

#### CAPITAL GAINS TAX

Country	CGT rate (%)
Kenya	5*
Uganda	30**
Tanzania	30***
Rwanda	30 or 5%****
Ethiopia	30 or 15%*****

\*Effective 1 January 2016. Disposal of land whose value is less than KES 3,000,000 or agricultural land situated outside urban areas of less than 50 acres is exempt from CGT. The exemption also applies to disposal of marketable securities listed on the Nairobi Securities Exchange. Gains arising from transfer of properties connected to life insurance companies are not subject to CGT.  
Effective 7 November 2019, CGT is exempted where the transfer of property arises from a restructuring that is:

- Out of 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
- Is in the public interest and has been approved by the Cabinet Secretary.

Effective 30<sup>th</sup> June, 2020. Gains accruing from the transfer of machinery under paragraph 1 (b) of the Second Schedule to the ITA are exempted from CGT.

\*\* Personal tax rates apply to CGT for individuals

\*\*\* Applies to companies. Gains realised by individuals taxed under single instalment tax of 10% for residents and 20% for non-residents

\*\*\*\* Capital gains on secondary market transactions on listed securities are exempted. However income derived from the sale of a commercial immovable property shall be included in the taxable income of the investor at a rate of 30%. Capital gain is charged at 5% on sale or transfer of shares listed on the capital market.

\*\*\*\*\* 30% on sale of immovable assets and 15% on sale of shares and bonds

#### TAXATION OF RESIDENTIAL RENTAL INCOME

In Uganda, rental income is taxed separately from other business income at the following rates

	Rate of tax
Non individuals	30%
Individuals*	20%

\*The annual allowable threshold is US\$ 2,820,000 and the allowable deductions are capped at 20%. Effective 1 July 2018, Interest on a mortgage to construct rentable premises is an allowable deduction. The return filing and payment requirements are the same with the other business income.

In Rwanda, rental income is taxed on an individual or any other person who is not subject to corporate tax from a rented immovable property located in Rwanda at the following rates:

Turnover (Rwf)	Rate of tax
<180,000	0%
180,001 to 1,000,000	20%
1,000,000>	30%

Kenya – Effective 1<sup>st</sup> January 2021. Residential Rental Income lower and upper limits shall be as follows KES 288, 000 to KES 15,000,000 respectively per annum. The rate of tax remains at 10% of the gross income earned from the use or occupation of the residential rental income. The tax is to be remitted to KRA on a monthly basis.  
 Kenya – Effective from 1 January 2017, withholding tax on rental income (both commercial and residential) was introduced at 10% of the gross rent payable. The tax is withheld by specific landlords appointed as rent withholding tax agents.

#### VALUE ADDED TAX

	Kenya KES	Uganda UShs	Tanzania TShs	Rwanda Rwf	Ethiopia ETB
<b>Annual thresholds</b>	5,000,000	150,000,000	100,000,000	20,000,000 <sup>a</sup>	500,000
<b>Rates</b>	%	%	%	%	%
<b>Standard</b>	16	18	18	18	15
<b>Petroleum products</b>	8 <sup>a</sup>				
<b>Interest (monthly)</b>	1*	2**	***	1.5****	5 & 2****
<b>Returns</b>	Monthly	Monthly	Monthly	Monthly	Monthly & Quarterly****

<sup>a</sup> – when turnover is less than Rwf 20 million taxpayer can request to declare VAT on Quarterly basis by the 15 of March, June, September and December.

<sup>a</sup> - Effective 25<sup>th</sup> April 2020, excise duty, fees and other charges are included in computing VAT.

\*- 1 % interest per month for late payment and higher of 5% of tax due or KES 10,000 for penalty for late filing of returns.

\*\* - 2% per month compounded for late payment, and the greater of 2% per month compounded or UShs 200,000 for late filing.

\*\*\* - Penalty for late filing of the returns under different tax laws in Tanzania is computed as the higher of (a) 2.5% of the amount of tax assessable with respect to the tax return less tax paid by start of the period towards that amount; (b) in the case of an individual, 5 currency points or in the case of body corporate, 15 currency points (1 currency point is equivalent to TShs 15,000). The interest rate for failure to pay VAT on time is computed at a statutory rate compounded monthly. The current statutory rate is 7%.

- In Kenya, WHVAT is applicable where an enterprise is appointed as an agent. WHVAT of 2% of the taxable value is to be remitted to the KRA on or before the 20th day of the month following the month of the deduction.
- In Kenya, effective 15<sup>th</sup> May 2020, credit notes can be issued within 30 days after determination of commercial dispute in a court of law. Where the dispute has implications on the price payable and to which a tax invoice has been issued, the credit note should be issued within six months after the issue of the relevant tax invoice. Further, the period for applying for VAT on bad debts is now 4 years from the date of supply.
- In Kenya, effective 30<sup>th</sup> June 2020, helicopters and aircraft parts, tractors shall now be subject to VAT at the rate of 16%.
- Effective 30<sup>th</sup> June 2020, VAT at the rate of 16% has been introduced on taxable supplies for construction of, assembly, manufacture or repair of clean cook stoves, specialized equipment for the development and generation of solar and wind energy, and inputs or raw materials supplied to solar equipment manufacturers and plant, machinery and equipment used in the construction of a plastics recycling plant.
- In Kenya, effective 1 January 2020, supplies by manufacturers to aid funded projects which have been approved by the Cabinet Secretary will be able to make a deduction for input tax.
- In Rwanda, any qualified professional approved by the Tax Administration who obstructs the activities or duties of the Tax administration is liable to an administrative fine of Rwf 200,000.
- In Tanzania, The Finance Minister has been allowed to grant VAT exemption on implementation of projects funded by loans (concessional or non-concessional) and grants.
- In Tanzania, non-profit organisations have been removed from the section which provided non-profit organisations an entitlement to apply for a refund of part or all of the input tax incurred on an acquisition or import.
- In Tanzania, the supply of electricity services by a supplier of electricity from Mainland Tanzania to another supplier of electricity in Zanzibar is zero rated.
- In Tanzania, the Commissioner for Customs may authorise extension of period for zero-rating of ancillary transport services
- In Tanzania, effective 01 July 2020, input VAT claim on exportation of raw materials.
- In Tanzania, effective 01 July 2020, exemption of agricultural crop insurance from VAT.

\*\*\*\* 5% for the first month and 2% per month for the other months the tax remains unpaid.

Monthly returns for taxpayers with annual revenue of ETB 70 million and above and quarterly returns for the others

\*\*\*\*\* Penalties for non-filing and late filing of returns are as follows:

	Period	Rates of Penalties
Administrative fine for non-declaration and non-payment of tax on time	Period not exceeding 30 days	20%
	Period between 31 and 60 days	40%
	Period above 60 days	60%
Administrative fine for non-payment of tax on time	Period not exceeding 30 days	10%
	Period between 31 and 60 days	20%
	Period above 60 days	30%



## PERSONAL TAX TABLES

### Kenya (KES) – Annual

	Rate %	Effective 1 January 2021 (Annual bands)	Tax on band – 1 January 2021 (Monthly bands)
First	10	288,000	24,000
Next	25	100,000	8,333
Next	30	Above 388,000	

- Personal relief – Effective 25 April 2020 KES 28, 800 per annum (p. a), up from KES 16, 896 p. a. Effectively, income below KES 24,000 per month is now exempt from tax.
- Insurance relief – lower of 15% of the premiums and KES 60,000 p.a.
- Mortgage deduction – mortgage interest deduction up to a maximum of KES 300,000 p.a.
- Affordable housing relief – 15% of contribution subject to a maximum of 108,000
- Per Diems - the first KES 2,000 per day is tax exempt.
- Non-cash benefit not exceeding KES 36,000 p.a. is exempt.
- Monthly and lump sum pensions for persons who are 65 years and above are exempt.
- Medical insurance paid on behalf of employee by employer not taxable.
- Meals provided by employers below KES 48,000 per employee p.a are tax free.
- Monthly pension of up to KES 25,000 and lump sum withdrawal of KES 60,000 per year worked up to a maximum of KES 600,000 from registered pension, provident or individual retirement funds is tax free.
- The first KES 150,000 earned by a disabled person is tax free.
- Donations to the Kenya Red Cross, County Governments or other national disaster management bodies to alleviate the effects of calamities that have been declared disasters by the president.
- Late submission of individual returns attract late filing penalties of higher of 5% of the tax due or KES 2,000.
- Effective 30<sup>th</sup> June, 2020, bonuses, overtime and retirement benefits paid to employees whose taxable employment income before bonus and overtime allowances does not exceed the lowest tax band under the Third Schedule will be subject to tax.
- Effective 1<sup>st</sup> January 2021, the tax deduction of a maximum of KES 96,000 allowed for Home Ownership Savings Plan shall no longer be applicable. Further, interest earned by a depositor on such deposits up to a maximum of KES 3,000,000 shall now be taxed.
- Effective 1 January 2021, the tax rates on pension payments are as follows:

for withdrawals after expiry of fifteen years from joining the fund:

	Rate of tax
<b>First KES 400, 000</b>	10%
<b>Next KES 400, 000</b>	15%
<b>Next KES 400, 000</b>	20%
<b>Next KES 400,000</b>	25%
<b>Above KES 1, 600, 000</b>	30%

For withdrawals before the expiry of fifteen years from the date of joining the fund:

	Rate of tax
<b>First KES 288, 000</b>	10%
<b>Next KES 100, 000</b>	25%
<b>Above KES 388, 000</b>	30%

### Uganda (UShs) – Annual

	Tax bands	Rate %	Tax on band	Cumulative income	Cumulative tax
<b>Resident</b>					
First	2,820,000	-	-	2,820,000	-
Next	1,200,000	10	120,000	4,020,000	120,000
Next	900,000	20	180,000	4,920,000	300,000
Next	115,080,000	30	34,524,000	120,000,000	34,824,000
Over	120,000,000	40			
<b>Non-resident</b>					
First	4,020,000	10	402,000	4,020,000	402,000
Next	900,000	20	180,000	4,920,000	582,000
Next	115,080,000	30	34,524,000	120,000,000	35,106,000
Over	120,000,000	40			

- Any benefit not exceeding UShs 10,000 per month is exempt.
- Any re-imbursment or discharge of employee medical expenses (inclusive of medical insurance) by employer is not taxable.
- Meals provided by employers to all full-time employees on an equal basis in premises operated by, or on behalf of the employer are tax exempt.
- 80% of the gross rental income in excess of UShs 2,820,000 is taxed at rate of 20%.
- Passage cost for non-resident employees are tax exempt
- \*The total income of a non-resident individual to be taxed at a rate of 30% as opposed to the previous rate of 20%.

### \*Tanzania (TShs) – Annual

	Tax bands	Rate %	Tax on band	Cumulative income	Cumulative tax
First	3,240,000	-	-	3,240,000	-
Next	3,000,000	9%	270,000	6,240,000	270,000

Next	2,880,000	20%	576,000	9,120,000	846,000
Next	2,880,000	25%	720,000	12,000,000	1,566,000
Over	12,000,000	30%			

#### Rwanda (FRW) – Annual

Tax bands		Rate %
First	360,000	-
	360,001 -1,200,000	20
Over	1,200,000	30

#### Ethiopia (ETB) – Monthly

Taxable income per month	Rate %	Deduction (Relief)
0-600	0	0
601 - 1,650	10	60
1,651 – 3,200	15	143
3,201 – 5,250	20	303
5,251 – 7,800	25	565
7,801 – 10,900	30	955
Over 10,900	35	1,500

#### The following incomes are exempt for purposes of personal taxes

- Transport expenses and per diem expenses paid to an employee on a tour of duty
- Hardship allowance
- Relocation expenses
- An amount paid by an employer to cover actual cost of medical expenses
- Food and beverages provided to employees in the mining, manufacturing and agricultural industries
- In Ethiopia, employees are not required to file individual tax returns where the employer is accounting for the tax on a monthly basis.

#### CAPITAL DEDUCTIONS

	Kenya ♦ %	Uganda %	Tanzania %	Rwanda %
<b>Investment Allowance (buildings)</b>				
Hotel Buildings	50 for first year and 25 per year on residual	5	50♦♦	50♦♦♦
Buildings (used for manufacture)	50 for first year and 25 per year on residual	5	50*	-
Educational buildings	10	5		
Commercial buildings	10	5		
<b>Investment Allowance (Machinery)</b>				
Machinery used for manufacture	50 for first year and 25 per year on residual			
Hospital equipment	50 for first year and 25 per year on residual			
Ships and aircraft	50 for first year and 25 per year on residual			
Motor vehicles and heavy earth moving equipment. Non-commercial vehicles cost to be restricted at KES 3 Million	25***			
Computer and peripheral computer hardware, software, calculators, copiers, duplicating machines	25			
Furniture and fittings	10			
Telecommunications equipment	10			
Filming equipment by a local film producer licensed by the CS responsible for filming	25			
Machinery undertaking explorations under a mineral prospecting right	50 for first year and 25 per year on residual	100α		
Other machinery	10			
Purchase or an acquisition of an infeasible right to use fibre optic by a telecommunication operator	10			
<b>Farm works</b>	50 for first year and 25 per year on residual	20**		

♦ Effective 25<sup>th</sup> April 2020, the second schedule of the ITA which dealt with Capital allowances was repealed and replaced with a schedule titled 'Investment Allowance'. Key changes arising from new schedule are that the rate of capital allowances has rationalized to a maximum of 100%. Further, the new provisions provide that 50% shall be claimable in the first year and the remaining at a rate of 25% per year reducing balance.

The cost of land is excluded from qualifying cost.

Further, for educational and commercial buildings, 10% shall be claimable in the first year and the remaining at a rate of reducing balance.

For machinery used in manufacture, hospital equipment and ship aircrafts, 50% is claimable in the first year and the rest claimable per year on a reducing balance.

\*\*\* For Motor vehicles qualifying cost for saloon cars is KES 3,000,000

♦♦ ID for plant & machinery used for agriculture at 100%

♦♦♦ Investment of at least USD 50,000 and operates in one of the priority sectors provided by the Rwanda Government

\$ A person that places an item of eligible property into service for the first time 50 kilometre outside the radius of the boundaries of Kampala qualifies for this allowance. Motor vehicle, office furniture and domestic appliances are not eligible.

& A person that places a new industrial building in service for the first time in 20% allowance.

^ Effective 1 January 2016.

β Buildings used in agriculture at 20% and other buildings at 5%

δ- Rental residential buildings constructed in a planned developed area approved by Minister for Housing where roads, power, water, sewers and other social infrastructure have been provided by the person incurring the capital expenditure.

\*\*Applies to structures necessary for the proper operation of the farm. Farmhouses attract an allowance of 33.33%

α Applies to both tangible and intangible assets

αα on a straight line basis over the lower of the expected life of the asset and six years

#- Introduction of 30% allowance on electricity costs incurred by manufacturers in Kenya. The relief is subject to conditions set by the Ministry of Energy.

## Uganda

Class	Qualifying Assets	Reducing Balance Rate (%)
1	Computers and data handling equipment	40
2	Automobiles; small buses and minibuses, small goods vehicles, and construction and earth-moving equipment. **	35
3	Large buses, large goods vehicles, tractors, trailers, machinery used in farming, manufacturing, or mining operations.	30
4	Trains, boats, aircraft, other plant, equipment, and machinery.	20

\*\* - Qualifying cost of passenger vehicles (other than those used for transportation business) is capped to US\$ 60,000,000.

## Tanzania

Class	Qualifying assets	Reducing Balance Rate (%)
I	Computers, automobiles, buses, minibuses with a seating capacity of less than 30 passengers, goods vehicles with a load capacity of less than 7 tonnes, construction and earth moving equipment.	37½
II	Buses with a seating capacity of 30 or more passengers, trucks, trailers, trailer mounted containers, locomotives, other self-propelling vehicles, plant and machinery used in manufacturing or mining operations; specialised public utility plant and equipment; and machinery or other irrigation installations and equipment.	25
III	Office furniture, fixtures and equipment and any asset not included in another class.	12½
V	Buildings, structures, dams, water reservoirs, fences and similar works of a permanent nature used in agriculture, livestock or fish farming.	20
VI	Building structures and similar works of a permanent nature other than those of Class V	5
VII	Intangible assets	1 divided by the useful life of the asset.
VIII	Plant and machinery (including windmills, electric generators and distribution equipment) used in agriculture and electronic fiscal device purchased by a non-Value Added Tax registered trader equipment used for prospecting and exploration of minerals of petroleum.	100

In Tanzania - Qualifying cost of passenger vehicles (other than those used for transportation business) is capped at TShs 30 million.

## Rwanda

Qualifying Assets	Depreciation base	Rate (%)	Basis
Buildings, heavy industrial equipment and heavy machinery	Cost Value	5	Straight line
Intangible assets, including goodwill, purchased from a third party.	Cost Value	10	Straight line
Computers and accessories, information and communication systems whose life is under ten (10) years.	Book value	50	Reducing balance
Information and communication systems whose life is over ten (10) years.	Cost Value	10	Straight line balance
Any other business assets (motor vehicles, office furniture, etc).	Book value	25	Reducing balance

## Ethiopia

Qualifying Assets	Straight line Rate (%)	Diminishing value Rate (%)
Computers, software, and data storage equipment	20	25
Greenhouses	10	-
Structural Improvement other than a greenhouse	5	-
Any other depreciable asset	15	20
Depreciable asset used in mining and petroleum development operations	25	30

This card includes amendments made in the 2020 Finance Acts for Kenya, Tanzania, Rwanda and Uganda. Please note that our interpretation of tax legislation may differ from that of the various Revenue Authorities. Similarly, these tax rates are not to be relied upon subsequent to any change in tax legislation.

The card should be treated as a quick reference guide and is no substitute for professional advice. If you would like any further information on this card or on the taxation services that KPMG provides, please reach out to the contacts listed.

# Contacts

## KENYA

### **Peter Kinuthia/Clive Akora**

8th Floor, ABC Towers  
Waiyaki Way  
P O Box 40612, 00100 GPO  
Nairobi, Kenya  
Telephone: +254 20 2806000  
E-mail : [pkinuthia@kpmg.co.ke](mailto:pkinuthia@kpmg.co.ke)  
[cakora@kpmg.co.ke](mailto:cakora@kpmg.co.ke)

## UGANDA

### **Peter Kyambadde**

3<sup>rd</sup> Floor, Rwenzori Courts  
Plot 2 & 4A Nakasero Road  
PO Box 3509  
Kampala, Uganda  
Telephone: +256 414 340315/7  
E-mail: [pkyambadde@kpmg.co.ug](mailto:pkyambadde@kpmg.co.ug)

## TANZANIA

### **David Gachewa**

2<sup>nd</sup> Floor, The Luminary  
Plot No.574, Haile Selassie Road  
Msasani Peninsula Area  
PO Box 1160  
Dar es Salaam, Tanzania  
Telephone: +255 22 2600330/2600390  
E-mail: [dgachewa@kpmg.co.tz](mailto:dgachewa@kpmg.co.tz)

## RWANDA

### **Andrew Nekuse**

5th Floor, Grand Pension Plaza  
Avenue de la Révolution  
Kigali, Rwanda  
Telephone: +250 (25) 257 9790  
Email: [anekuse@kpmg.com](mailto:anekuse@kpmg.com)

[www.kpmg.com/eastafrica](http://www.kpmg.com/eastafrica)

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