

EAC TAX PROPOSALS FOR BUDGET 2023/24



14TH JUNE 2023



**The Voice of the Private Sector
in East Africa**

On 15th June 2023 the four EAC Partner States which are Kenya, Rwanda, Uganda and Tanzania will jointly unveil their national budget for 2023/24 fiscal years. Given the fact that domestic taxes which include Valued Added Tax (VAT), Excise Duties and Income Taxes are not harmonised there have been different tax proposals across the EAC Partner States.

Some of the tax measures which have been proposed by various stakeholders to be included in the forthcoming national budgets of the four EAC Partner States are listed below:

1. COMPARISON OF DOMESTIC TAXES

S/N	Tanzania	Kenya	Uganda	Rwanda
A: Income Tax:				
Corporate Income Tax	30%	30%	30%	30%
Social Security -employer contribution	10%	6% * (nominal)	10%	5%
Skills & Development Levy/NITA Levy	4%	Nominal	NIL	NIL
Worker Compensation Fund	0.5%	NIL	NIL	NIL
Maternity Leave Benefit	NIL	NIL	NIL	0.3%
Income tax (PAYEE) top rate (tope marginal rate)	30%	30%	30%	30%
Social Security -employee contribution	10%	6% * (nominal)	5%	3%
*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).				
B: Withholding Tax:				
Dividends	5% 10%	5% 15%	10% 15%	n/a 5% 15%

Interest	10%	10% -25%	10% 20%	15%	n/a	5%	15%
Rent	4%	10% 15% -30%	n/a	15%	n/a		15%
Royalty	0.5%	5% 20%	n/a	15%	n/a		15%
Services/Management Fee		5% 20%	6%	15%	n/a		15%
Insurance Premium	n/a 5%	n/a 5%	15%		N/a		15%
NB. The rate is for resident and non-resident							
C: VAT & EXCISE							
VAT-Local (standard rate)	18% Several exemptions and zero-rated products	16% 8% -petroleum Several exemptions & zero-rated products	18% Several exemptions & zero-rated products		18% Several exemptions & zero-rated products		
VAT-Export	0%	0%-(goods & Business Process Outsourcing Services) 16%-(Other exported services)	0%		0%		
Excise goods: *							
(i) Petroleum products	Specific method	Specific method	Specific methods		Specific methods		

(ii) Non-petroleum products (ranges of products)	Specific and ad valorem (0%-50%)	Specific & ad valorem rate	Specific & ad valorem rate	Ad valorem
Excise services:				
(i) Telecommunication and payment service providers, pay-to view	17% - ECS 10% - Money Transfer 5%-Pay-to-view television	12%/ 20%	12%/ 15%/ 0.5%/ USD 0.09 per min	10% Telecommunications
(ii) Financial institutions	10% -fees & charges	20%	15%-fees & charges	NIL
*Excise rates are provided under the respective Excise Acts (at specific and ad valorem rates)				

2. TAX PROPOSALS ACROSS EAC

THE UNITED REPUBLIC OF TANZANIA

S/N	INCOME TAX	VAT	EXCISE DUTIES
I.	Write off of bad debt-reasonable steps	VAT registration threshold - increase to TZS 200m (Rationalisation of taxes to SMEs)	Proposal to overhaul the Excise Duty Act (modernised, simplified, harmonised)
II.	Foreign exchange- realisation basis to apply only on long term loans	Post supply rebates and discounts (reword VAT reporting requirement, remove requirement to	Reduce excise duty rate on telcos i.e. from 17% to 10%

		issue adjustment notes as not practical or special adjustment notes)	
III.	<u>SDL & WCF</u> <ul style="list-style-type: none"> Reduce Skill Development Levy (SDL) to 3%, and allocate: two thirds (2%) for VETA, one third (1%) for WCF Work Compensation Fund (WCF)-abolish separate contribution No SDL [if turnover less than TZS 200m] 	Exempt concession fees and park entry fees	Exclude services supplied to intermediaries from excise duty scope (i.e. single-stage tax)
IV.			Include provision to exclude excise duty on export of services (inland tax)

THE REPUBLIC OF KENYA

S/N	INCOME	VAT	EXCISE DUTIES
I.	Taxpayers making payments to digital content creators will be required to Withhold against such payments at the rate of 15%.	Proposed repeal of the 8% VAT rate on petroleum products - 16% VAT on fuel and VAT exemption of LPG.	Removal of the provision for annual inflationary adjustment of specific Excise Duty rates
II.	There is an introduction of the digital asset tax which will be 3% applicable to cryptocurrency and non-fungible tokens.	VAT exemption of exported taxable services	Payment of Excise Duty within twenty-four hours on betting & gaming and may extend to other excisable services.
III.	The Bill proposes to introduce a tax on repatriated income which will be	VAT exemption on Transfer of business as a going concern (TOGC)	Removal of certain products from the ambit of excise duty e.g. condensates

	applicable to branches. No rate was provided.		
IV.	No refund of excess withholding tax paid arising from an audit adjustment.	Introduction of VAT on compensation for the loss of taxable supplies	Introduction of Excise Duty on new goods and services e.g. imported fish, sugar, beauty products, advertisements for alcoholic beverages and gaming, etc
V.	Reduction of the tax rate on residential rental income from 10% to 7.5%	Change of VAT status from exempt to taxable - Capital goods meant to promote investment in manufacturing sector; Plant, machinery and equipment used in the construction of a plastics recycling plant.	Harmonization of Excise Duty for certain services e.g. Money transfer services by cellular phone providers and financial institutions - 15%
VI.	Turnover tax has been increased from 1% to 3%	Change of VAT status from zero rate to exempt - agricultural pest control products, fertilizers etc	Increase in Excise Duty on certain services, e.g. money transfer services by cellular phone service providers, betting, gaming, etc
VII.	Non-deductibility of business expenses where the invoices are not generated from an electronic tax invoice management system (eTIMS)	VAT exemption on medicaments, tea for value addition prior to export etc	
VIII.	The Bill proposes to introduce a capital gains tax on indirect share transfers.		
IX.	<u>Employment Tax</u> <ul style="list-style-type: none"> Increase of the marginal rate of tax from 30% to 35% to employees earning for than KES 6 million. 		

	<ul style="list-style-type: none"> Introduction of National Housing Development Fund payable by both employer & employee at the rate of 3% capped at KES 5,000. 		
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THE REPUBLIC OF UGANDA

S/N	INCOME	VAT	EXCISE DUTIES
I.	A unit trust has been excluded from the definition of a company	Expansion of Electronic services/ digital services to include all services. Service is supplied through an online or digital network and to introduce new services such as streaming platforms, subscription-based services, cab hailing services, and cloud storage services	Extending the exemption of excise duty to incoming calls from The United Republic of Tanzania (USD 0.09 per minute)
II.	Winnings derived from sports betting and pool betting” deleted from the definition of property income	Additional restrictions for claiming input VAT <ul style="list-style-type: none"> ➤ Non-residents providing electronic/ digital services in Uganda will not be entitled to input VAT credits. ➤ Input VAT incurred on gyms, sporting associations or on recreational activities is now categorized as entertainment and thus not claimable. ➤ Claims for input VAT can only be made against the related business generating the taxable supply 	Decrease of excise duty on opaque beer (from 20% to 8% for the ad valorem rate or Ugx. 230 to Ugx. 150 for the fixed rate)

III.	15% withholding tax (“WHT”) will not apply to gaming however, the gaming tax has been revised from 20% to 30%	VAT on auctioned goods to be charged by the auctioneer.	Exemption from excise duty, undenatured spirits used in manufacture of sanitizers
IV.	Removal of a limitation on interest deductibility for micro-finance deposit-taking institutions and tier-4 micro-finance institutions	Introduction of VAT on diapers. These were previously VAT exempt	Reduction of the threshold for investment capital for strategic projects from USD 50 million to 35 million USD for non-residents and to USD 5 million USD for citizens.
V.	Repeal of 50% and 20% initial allowance on eligible property and buildings respectively	Expansion of the scope for exemption of animal feeds to include concentrates	
VI.	Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account information (“MCAAA”) - With effect from 1 January 2024, a reporting financial institution must conduct a due diligence and annually submit a return to the Uganda Revenue Authority on its existing and new customer reportable accounts held by non tax residents.		

THE REPUBLIC OF RWANDA

S/N	INCOME	VAT	EXCISE DUTIES
I.	<u>Incoming changes</u> Reduction in the statutory rate from 30% to 28% (with the eventual target of 20% in the medium term)	<u>Incoming changes</u> Introduction of exemption from VAT on rice and maize flour for both domestic trade and imports	<u>Incoming changes</u> Introduction of a cap on excise duty to high-end products especially wines and Liquors.
II.	<u>Proposed changes - medium term</u> Phasing out of current tax incentives provided in the Investment Law	Exemption from VAT on transfer of assets between related parties in the context of a group reorganization	Exemption from excise duty on electric vehicles
III.	Introduction of Minimum Alternative Tax	<u>Proposed changes - medium term</u> Taxation of digital supplies.	<u>Proposed changes - medium term</u> Increase in excise duties on older vehicles to incentivize an upgrade of Rwanda's Fleet.
IV.	Introduction of immediate expensing of capital investments to replace depreciation	Zero-rating of VAT on construction of residential houses	
V.	Allowing indefinite carry forward of losses	Introduction of 10% VAT rebate to customers when they receive an EBM receipt	
VI.	<u>Sale of immovable property</u> Introduction of a tax on sale of immovable property at the rate of 2% of the property value. Historically Rwanda has not included any Stamp duties.		

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