Particulars	Changes to the Act	Implication
Income Tax Changes		
Introduction of tax on winnings Section 2, 10, 34, 35 and Third Schedule to the Income Tax Act (ITA)	The definition of winnings is proposed to be amended by deleting the rider that narrowed the application of the definition to only winnings payable to players (punters).	This proposed amendment aligns the definition of winnings in the ITA to that in the Betting Lotteries and Gaming Act (CAP. 131) which includes winnings of any kind. Under the changes, ***all*** winnings from betting and gaming will attract withholding tax at 20% for both residents and non-residents. The tax complicates raffles and lotteries where the winnings are in kind. In such cases the promoters will need to budget for the tax resulting in additional costs. Despite the hue and cry from betting, lotteries and gaming companies, there is no proposed change to the betting and gaming tax of 35% in addition to corporation tax at 30%.
Enhanced tax deductions for Registered HOSP contributions Section 22C(2) to the ITA	The proposed amendment seeks to increase the allowable deduction of savings with the registered home ownership savings plan (HOSP) from ***KES 48,000*** per year to ***KES 96,000*** per year, an increase from ***KES 4,000*** to ***KES 8,000*** per month.	This will encourage savings with registered HOSPs and has the potential to enhance home ownership which is one of the Big Four Agenda items that the Government is implementing.
Additional Exemptions for SEZ investors First Schedule to the ITA	The proposed amendment seeks to exempt licensed SEZ developers and operators from capital gains and compensating tax as provided for under Section 7A.	The Government has positioned special economic zones at the centre of its industrialization agenda. Investors in SEZ already have a number of incentives such as reduced income tax rates and exemptions from VAT, customs and excise duties. The proposed amendment will exempt SEZ developers and operators from capital gains tax and payment of compensating tax. Compensating tax has been one of the major headaches for investors especially in those industries which receive 100% or 150% investment deductions and are able to pay dividends before they extinguish their tax losses. At 42.68%, compensating tax is very punitive and this exemption will come as a relief to SEZ investors.

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Particulars	Changes to the Act	Implication
Stamp Duty Act		
Exemption from Stamp Duty Section 117 (1) of the Stamp Duty Act	The Bill proposes to grant an exemption from stamp duty on the purchase of a house by a first time home owner under an affordable housing scheme.	This amendment seeks to reduce the cost of housing for first time home owners and is in line with promoting affordable housing which is one of the Big Four Agenda items proposed by the Government. At the current rate of 4%, stamp duty is one of the significant contributors to the high cost of housing. This exemption will contribute positively to reducing the housing cost and making the houses affordable.
Value Added Tax Act, 2013		
Zero rating & exempted supplies First Schedule, Section A, Part 1 (exempt supply of goods); and Second Schedule, Part A (Zero-rated supplies) & B (supplies to public and privileged bodies)	The amendments under the VAT Act aim at reducing the number of goods that qualify for the zero-rated status. The goods will now be exempt from VAT. Of note are the following current zero-rated supplies that have been proposed to be exempt supplies: a) The transfer of a business as a going concern by a registered person to another registered person; b) Taxable goods for use in the construction of a minimum of 5,000 housing units, hotel or conference facility by a licensed special economic zone operator or developer; c) The supply of natural water, excluding bottled water for domestic or for industrial use; d) Inputs or raw materials (either produced locally or imported) supplied to pharmaceutical manufacturers in Kenya for manufacturing medicaments; e) The supply of maize (corn) flour, ordinary bread and cassava flour, wheat or meslin flour and maize flour containing cassava flour by more than ten per-cent in weight; f) Taxable goods supplied to marine fisheries and fish processors upon recommendation by the relevant state department; g) Milk and cream, not concentrated nor containing added sugar or other sweetening matter of specified tariff numbers; h) All inputs and raw materials whether produced locally or imported, supplied to manufacturers of agricultural pest control products upon recommendation by the Cabinet Secretary for the time being responsible for agriculture; i) Agricultural pest control products; j) Liquefied Petroleum gas; k) Passengers' baggage and personal effects; l) Relief goods supplied or imported for emergency use; and m) Medicaments.	

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Particulars	Changes to the Act	Implication
	Unlike persons who make zero-rated supplies, exempt suppliers are not allowed deductions of the input that they incur to make the exempt supplies. The input VAT will now be a cost that the suppliers will take into account when determining the price of their supplies. This is likely to result in an increase in the prices of the essential products such as maize flour, bread and milk. The exemption from VAT of taxable goods supplies to special zone developers and operators will favour importers over local suppliers since local suppliers will be denied the input tax incurred to manufacture or purchase the supplies potentially making them uncompetitive. In any case, the VAT Act already zero-rates supplies to special economic zone enterprises creating a legal quagmire for persons making supplies to the SEZ enterprises. The provisions also favour those constructing residential houses in SEZs over constructions outside the zones. This leaves out projects such as the 20,000 unit Nairobi Regeneration Housing project in Eastlands. Other contradictions include the decision to move LPG and medicaments from the zero-rated to exempt tax category, potentially making them more expensive yet they are key in the government's drive to reduce deforestation and provide universal healthcare respectively.	

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