

Welcome to

**The
Kenya
Revenue
Authority**



**Presentation on
Taxation in the
Leather Industry
July 2023**



Outline



Introduction



The Role of Customs and
Border Control



Legal Provisions



Taxation, Tax Incentives &
Trade Facilitation Initiatives



Q & A

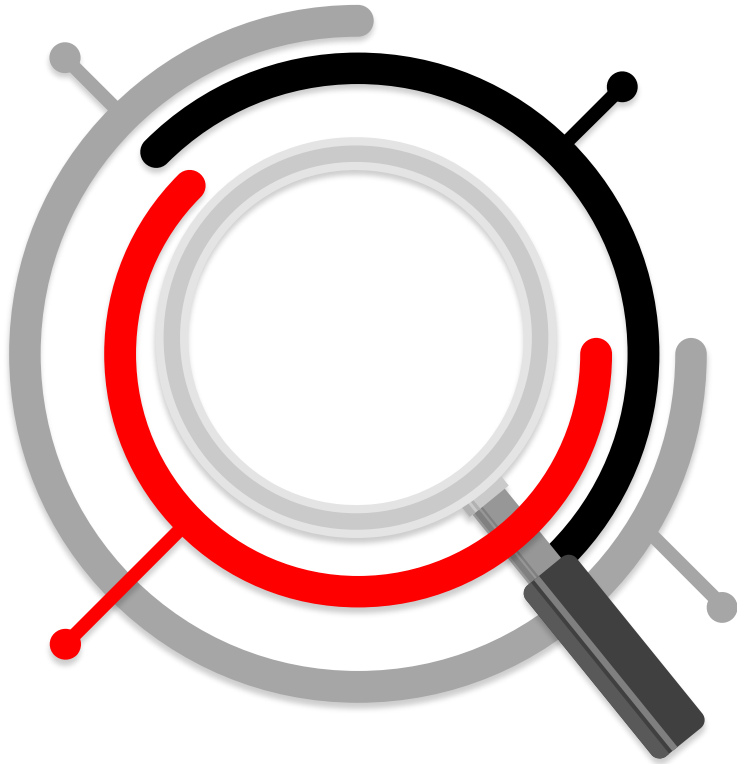
Introduction : Kenya Revenue Authority (KRA)

1. Established July 1st 1995 by an Act of Parliament (Cap 469)
2. Government Agency in Ministry of Finance (National Treasury)
3. Head Quarters- Times Towers,
4. Departments are headed by Commissioners
5. Divisions/Regions- headed by Deputy Commissioners
6. Sub Divisions/ Sections- headed by Chief Managers
7. Currently: 8 Departments:
 - i. Corporate Support Services
 - ii. **Customs and Border Control**
 - iii. Domestic Taxes
 - iv. Intelligence, Strategic Operations, Investigation and Enforcement
 - v. Kenya School of Revenue Administration (KESRA)
 - vi. Legal Services and Board Coordination
 - vii. Strategy, Innovation and Risk Management

Introduction : Role of KRA in National Development

1. **Domestic resource mobilization (DRM)**- collecting taxes from various sectors guided by law.
2. **Border Management** - aimed at improving security at the border stations and reducing the level of illicit trade.
3. **Trade facilitation** - use of business systems to clear all Customs cargo
4. **Ease of doing business** - Improve business climate with respect to taxation and trading across borders; tax simplification; expediting VAT refunds to enhance liquidity of exporting firms

The Role of Customs & Border Control



- a) **Collect and Account for government revenue** - Mainly import duty, excise duty and VAT on imports as well as agency revenue
- b) **Trade Facilitation** – Promote economic interests and development of trade through enhancement of trading activities and ease of doing business.
- c) **National Security** - through Enforcement of Prohibitions and Restrictions.
- d) **Protection of Society** – Domestic industry, health and safety of citizens.
- e) **Compilation of Trade Statistics**

Legal Provisions affecting leather trade

East African
Community
Customs
Management Act
(2004)

East African
Community
Common External
Tariff (EAC CET
2022)

Hide, Skin and
Leather Trade Act

Environmental Laws
and Regulations

Other Laws of the
Land

Legal Provisions affecting leather trade cntd...

Classification of goods : Section VIII of EAC CET 2022

Chapter 41 - Raw hides and skins (other than furskins) and leather

Chapter 42 - Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)

Chapter 43 - Furskins and artificial fur; manufactures thereof

Taxation of hides and skins

Nine years ago, the government increased export duty on raw hides and skins from 40% to 80% to protect local markets from scarcity of raw materials.

This was after major tanners in the country complained of an acute shortage of raw materials (hides and skins) due to exportation. The tax was aimed at encouraging value addition locally. Since then, hides and skin exports have declined.

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2023 Finance Act has a reduction in export duty from 80% or \$0.55/Kg to 50% or \$0.32/kg, whichever is higher.

Tax Incentives for Industry

Green channeling

- compliant traders are granted automatic release of declarations

Special Economic Zones (SEZs)

- Capital expenditure on buildings and machinery are entitled to investment deductions equal to 100% of the initial capital expenditure
- Corporate tax at the rate of 10% for the first 10 years and 15% for the next 10 years

Dividends

- Dividends received by registered venture capital companies in SEZ enterprise are exempt from tax
- Dividends paid by SEZ Enterprise, developers, or operators to any non-resident person are exempt

Tax Incentives cont...

Inputs/raw materials

- For the production of various goods

Profit/gains

Investment deductions in the computation of profits/gains

Remission

Provision of remission and lower import duty rates on raw materials.

Customs & Border Control Department's Trade Facilitation Initiatives

Exports management

Qualified exporters' facilities are designated as Exports Stuffing Zones for Exports Cargo rather than being stuffed in Customs Areas.

Automation of processes

- non intrusive methods of verification
- use of business systems e.g iCMS which is linked to KENTRADE

Rules of origin

- KRA is the designated competent Authority for approval of preferential proofs of origin in Kenya
- Implementation of various trade agreements to ensure that Kenyan Exports are accorded preferential tariff treatment when exported to the various Regional Economic Zones.

Trade Facilitation Initiatives cont...

Bonded warehouses

- store goods which are not duty paid and are warehoused for six months
- Advantage is that raw materials for manufacture may be allowed to be warehoused
- The manufacturer is able to buy in bulk to use in manufacture as the orders are received
- For finished goods allowed into the bond, the bond Keeper (or Owner) of the goods may pay as they get orders in the market

Authorized Economic Operator (AEO)

- grounded on World Customs Organisation SAFE framework of standards and the World Trade Organisation Trade Facilitation Agreement (Kenya is a signatory).
- they benefit on expedited cargo clearance and exemption from physical verification of imported/exported goods in customs areas, etc

Tax Payer Services (TPS)

- continuous sensitization/engagement to all stakeholders on customs processes and hence improving compliance with the customs processes and procedures.
- a dedicated helpdesk that deals with customer issues, the contacts for the helpdesk is as follows.

Email address: helpdesk.customs@kra.go.ke

Email address: commissionercustoms@kra.go.ke

Trade Facilitation Initiatives cont...

Special Economic Zones (SEZ)

- To attract both local and foreign investments
- To expand and diversify production of goods and services for domestic and export markets
- To promote value addition
- To promote local entrepreneurship through Small and Medium Enterprises (SMEs)
- To enhance technology development and innovation
- To promote rural and regional industrialization by exploiting comparative advantage of local resources

Duty Remission Scheme (DRS)

EACCOMA 2004 SEC 140 enables the council of ministers to grant remissions on:

- goods imported for use in the manufacture of goods for export under Export Promotion Program Office(E.P.P.O)

such goods imported for use in the manufacture of approved goods for home consumption as the Council may, from time to time, by notice in the Gazette, determine under Essential Goods Production Support Program (E.G.P.S.P).

-This ensures duty free importation of inputs for goods produced for exports

Pre-Arrival Processing (PAP)

- submission of import documentation before the actual arrival of the goods
- seeks to address the challenge of delays experienced at the entry points

Thank
you

