Promises and delivery: Kenya's 2015/16 National Budget

Customs duty/other levies

PwC analysis and outlook

The government seeks to cushion local industries

Facilitation of international trade through the reduction of delays and other costs associated with imports and exports.

Customs duty & other levies

Customs duty

The proposed changes to Customs and Excise legislation by the Cabinet Secretary to the National Treasury (CS) seem to favour the protection of local industries while at the same time making an attempt to ease international trade. The proposed changes from a customs perspective include:

- The KRA has been implementing the Kenya National Electronic Single Window System ("Tradenet") to facilitate international trade. The declaration module is expected to be operational starting July 1 2015; all importers and exporters will be required make their Customs declarations through this system, which is hoped will increase efficiency and transparency with regards to the cross-border supply of goods.
- Reduction of customs duty on nylon yarn from 10% to 0% to encourage local manufacturer of fishing nets coupled with an increase of import duty on ready to use fishing nets from 10% to 25% to protect the local fishing net industry.
- An increase in the specific duty rate on imported sugar from USD 200 to USD 460 per metric tonne while maintaining the advalorem rate at 100% to cushion the sector from unfair competition from imports.
- In October 2014, duty on paper and paper board was increased to 25%. This increased the cost of packaging materials for the manufacturing sector. It is now proposed that the Common External Tariff (CET) rates on these products be reduced to 10% to lower the cost of paper and paper board.
- To deter the smuggling of raw hides and skin out of the country and encourage in-country beneficiation across the East African Community (EAC) countries, the export duty rates have been harmonised across EAC at 80% of Free On Board (FOB) value or USD 0.52 per kg, whichever is higher.
- To protect local manufacturers, it is proposed the import duty rates on plastic tubes for packing toothpastes and cosmetics be increased from 10% to 25%.
- To encourage investors to produce pasta locally, gazetted manufacturers of pasta will be entitled to full duty remission on Semolina (the raw materials used in making pasta).
- Import duty rate for gas cylinders is to be increased from 0% to 25% to protect local manufacturers of gas cylinders.

- To encourage and protect the local production of aluminium milk cans, it is proposed import duty has be increased from 10% to 25% on importation of these cans.

- Prison authorities have been included in the duty exemption schedule. This will enable them import materials, equipment's and other supplies for their official use duty free.

Other customs changes that are likely to be included in the EAC gazette Notice on 30 June, 2015

Based on developments and discussions leading up to the budget, we anticipate changes in CET rates for the following products among others:

- Rice
- Wood splints for manufacture
- Acrylic Polymers for manufacture of paints
- Wheat grains
- Glucose and glucose syrup
- Certain iron and steel products
- SIM cards and smart cards
- Towers and lattice masts
- Oil or petrol filters for internal combustion engine

Other levies

To scale up the existing road network, an additional road maintenance levy of KES 3 per litre of fuel will be collected and deposited in a Road Annuity Fund.

Import Declaration Fee (IDF) has been lowered from the rate of 2.25% - 2.0% to harmonise IDF across EAC region.

A new law, the Miscellaneous Fees and Charges Bill, is proposed to cater for levies which were previously anchored in the Customs and Excise Act, CAP 472, which is likely to be repealed following the enactment of the proposed Excise Act.

The levies covered by the new law shall include IDF, Railway Development Levy (RDL) and export levies.