

Understanding Kenya's 2014/2015 National Budget

Direct tax

PwC insight and analysis

Individual Tax Changes

*Tax free vacations
for employees
within Kenya for
the next 12 months*

Tax free vacations for employees

The recent security concerns in Kenya have presented challenges to the tourism sector. In order to stimulate recovery of this sector, the government has proposed to exempt from tax employee vacation trips paid for by employers within Kenya. This is a twofold exemption as neither is the employee charged tax on the vacation expense as a benefit, nor is the amount disallowed for tax purposes.

This exemption is effective immediately (from 13 June 2014) for the next 12 months.

We know from the statement issued by the President earlier in May that the targeted group for this benefit was Kenyan citizens. The Budget Statement makes it clear that this benefit can also be enjoyed by expatriates working in Kenya. This provides a tax planning opportunity for expatriates entitled to home leave, as they may now benefit from local trips as well.

In order to fully realise the government's objective of promoting tourism, we also expect a reduction in Kenyan vacation package costs to generate volumes. However, it is unlikely that additional implementation details will be

provided by the government. Employers will most likely have to enact individual vacation policies.

Alignment of NSSF Act 2013 with Retirement Benefit Act

The Cabinet Secretary has proposed to amend the NSSF Act 2013 (which came into effect from 1 June 2014) to align it to the Retirement Benefit Act.

The proposed amendment is to restrict the power to prescribe the qualifications of an actuary and make regulations on the payment of benefits to the Retirement Benefits Authority.

In addition, the preparation of the NSSF Fund Accounts will also be aligned with the provisions under the Retirement Benefit Act (i.e., from six months to three months).

Harmonisation of employee statutory payments

Under the government's objective to reduce costs of doing business for employers and ease the administrative burden, the Cabinet Secretary has proposed to harmonise the payment date for NSSF with PAYE and NHIF (from 30 to 10 days).

*Harmonisation of
NSSF Act 2013*

This is an indication of the government's intention to consolidate all the employee statutory payments under KRA.

We expect the harmonisation process will go further to include compliance

review and an enabling IT platform in order to achieve the desired objective.