

# Tax Alert

## East African Community Gazette Notice, 2020

July 2020



On 30 June 2020, the East African Community (“EAC”) Secretariat released the EAC Gazette Notice No. 10 of 2020 (“the Gazette”). The Gazette highlights changes effected by the Council of Ministers (“the Council”) to the East African Community Customs Management Act, 2004 (“EACCMA”) and the East African Community Common External Tariff (“EAC CET”) with effect from 1 July 2020.

We set out herein some of the key changes affecting individual Partner States and the EAC region as a whole.

# Changes Specific to Kenya

The Council approved various stays of application of EAC CET duty rates for the next one year on certain items. As in the past, the metal and allied sector, textile and shoe manufacturers, and timber product manufacturers will continue to enjoy protection from stiff foreign competition. The changes are highlighted in the table below:

Description	Decision	
Decrease in Duty	EAC CET Rate	Applicable Rate for 1 Year
Rice in the husk, husked (brown) rice, semi milled or wholly milled rice and broken rice	75% or USD 345/MT	35% or USD 200/MT
Polymers of vinyl acetate or of other vinyl esters, in primary forms; other vinyl polymers in primary forms – Others: Copolymer	10%	0%
Worn items of clothing of HS code 6309.00.10	35% or USD 0.40/K	35% or USD 0.20/Kg
Other flat-rolled products of other alloy steel not further worked than hot-rolled, in coils, of HS code 7225.30.00	10%	0%
Increase in Duty	EAC CET Rate	Applicable Rate for 1 Year
Refined soya bean oil, RDB palm olein, RDB palm stearine, other palm oil refined, sunflower oil, and refined corn oil	25%	25% or USD 500/MT
Margarine and edible mixtures	25%	25% or USD 500/MT
Sweet biscuits	25%	Assigned as sensitive items – duty rate 30%
Safety matches	25%	25% or USD 1.35/Kg
Styrene acrylic	0%	10%
Particle board, oriented strand board (OSB) and other items of HS codes 4410.19.000 and 4410.90.00	25%	25% or 110/MT
Medium Density Fireboard (“MDF”) of HS codes 4411.12.00, 4411.13.00, 4411.14.00, 4411.92.00 4411.93.00 and 4411.94.00	25%	25% or USD 120/MT
Plywood of HS codes 4412.10.00, 4412.31.00, 4412.33.00, 4412.34.00, 4412.39.00	25%	25% or USD 175 per m <sup>3</sup>
Blockboard, laminboard and battenboard of HS 4412.94.00 and others of 4412.99.00	25%	25% or USD 200/MT
Uncoated paper and paper board in rolls or sheets of HS codes 4805.19.00 and others of 4805.91.00	10%	25%
Skillets, free hinge lid packets	10%	25%
Articles of apparel and clothing accessories, knitted or crocheted, and not knitted or crocheted of chapters 61 and 62 respectively (excluding the sensitive items at 50% rate)	25%	Assigned as sensitive items – duty rate 35%
Shoes with leather uppers	25%	25% or USD 5/Pair
Shoes with uppers of textile materials and other shoes of HS code 6409.90.00 as well as various footwear of HS codes 6405.20.00, 6405.90.00, 6404.11.00, 6404.19.00, 6403.12.00 and 6403.19.00	25%	25% or USD 2.5/Pair

# Changes Specific to Kenya

Description	Decision	
	EAC CET Rate	Applicable Rate for 1 Year
<b>Increase in Duty</b>		
Footwear of HS codes 6404.20.00 and 6403.51.00	25%	25% or USD 5/Pair
Travel goods (i.e. trunks, suitcases, sports bags and similar items of leather) of HS code 4202.11.00	25%	Assigned as sensitive items – duty rate 35%
Toilet bags and cased of leather of HS code 4202.12.00	25%	Assigned as sensitive items – duty rate 35%
Other trunks, suitcases, vanity cases, executive cases and school satchels of HS code 4202.19.00	25%	Assigned as sensitive items – duty rate 35%
Handbags of HS codes 4202.21.00, 4202.22.00 and 4202.29.00	25%	Assigned as sensitive items – duty rate 35%
Bags, containers and articles with outer surface of sheeting of plastics or of textile Material of HS codes 4202.32.00, 4202.39.00 and 4202.92.00	25%	Assigned as sensitive items – duty rate 35%
Bags, containers and articles with outer surface of leather or of composition leather of HS codes 4202.31.00 and 4202.91.00	25%	Assigned as sensitive items – duty rate 35%
Other items of vulcanised fibre or of paper board or wholly or mainly covered with such materials or with paper of HS code 4202.99.00	25%	Assigned as sensitive items – duty rate 35%
Waterproof footwear and other footwear of HS codes 6401.10.00, 6401.92.00, 6401.99.00, 6402.19.00, 6402.20.00, 6402.91.00 and 6402.99.00	25%	25% or USD 2.5/Pair
Footwear of HS codes 6403.20.00 and 6403.40.00	25%	25% or USD 5/Pair
Various flat rolled products of iron or non-alloy steel of heading 7209	10%	10% or USD 125/MT
Various flat rolled products of iron or non-alloy steel of heading 7210	25%	25% or USD 250/MT
Flat-rolled products of iron or non-alloy steel of HS code 7211.23.00	10%	10% or USD 125/MT
Flat-rolled products of iron or non-alloy steel of HS code 7211.29.00	25%	25% or USD 125/MT
Flat-rolled products of iron or non-alloy steel of HS codes 7211.90.00 and 7212.20.00	10%	10% or USD 125/MT
Flat-rolled products of iron or non-alloy steel of HS codes 7212.30.00, 7212.40.00 and 7212.50.00	25%	25% or USD 250/MT
Flat-rolled products of iron or non-alloy steel of HS code 7212.60.00	10%	10% or USD 125/MT
U sections, I sections, H sections and L or T sections of iron or non-alloy steel of heading 7216	0%	25% or USD 250/MT
Other bars and rods of stainless steel, angles, shapes and sections of stainless steel of HS codes 7222.11.00, 7222.19.00, 7222.20.00, 7222.30.00 and 7222.40.00	10%	25% or USD 250/MT
Other flat-rolled products of other alloy steel not further worked than cold-rolled (cold-reduced) of HS code 7225.50.00	10%	10% or USD 125/MT

# Changes Specific to Kenya

Description	Decision	
	EAC CET Rate	Applicable Rate for 1 Year
<b>Increase in Duty</b>		
Flat-rolled products of other alloy steel of HS codes 7225.91.00 and 7225.92.00	10%	25% or USD 250/MT
Flat-rolled products of other alloy steel of HS code 7225.99.00	10%	25% or USD 275/MT
Flat-rolled products of other alloy steel of HS codes 7226.92.00 and 7226.99.00	10%	10% or USD 125/MT
Various other tubes, pipes and hollow profiles of iron or steel of heading 7306	25%	25% or USD 200/MT
Various structures of iron and steel of heading 7308	25%	25% or USD 250/MT
Structures of iron and steel (road guard rails) of HS code 7308.90.91	10%	25% or USD 250/MT
Containers for compressed or liquefied gas, of iron or steel - liquid gas cylinders (LPG)	0%	25%
Nails, tacks, drawing pins, corrugated, nails, staples (other than those of heading 83.05) and similar articles, of iron or steel, whether or not with heads of other material, but excluding such articles with heads of copper (HS code 7317.00.00)	25%	Assigned as sensitive items – duty rate 35% or 350/MT
Coach screws, other wood screws, screw hooks, screw rings and nuts of heading 7318	10%	Assigned as sensitive items – duty rate 35% or 350/MT
Other screws and bolts, whether or not with their nuts or washers of HS code 7318.15.00	25%	Assigned as sensitive items – duty rate 35% or 250/MT
Nuts of HS code 7318.16.00	10%	Assigned as sensitive items – duty rate 35% or 250/MT
Various items of HS codes 7318.19.00, 7318.23.00 (rivets), 7318.29.00	10%	Assigned as sensitive items – duty rate 35% or 350/MT
Leaf-springs and leaves of HS code 7320.10.00	25%	25% or 250/MT
Stove, range, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas rings, plate warmers and similar non-electric domestic appliances, and part thereof, of iron or steel ---other, including appliances for solid fuel ---other, including appliances for solid fuel (HS codes 7321.19.00 and 7321.89.00)	10%	25%
Iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like of HS code 7323.10.00	25%	25% or 200/MT
Other articles of iron or steel of HS code 7326.90.90	25%	25% or USD 250/MT
Filling cabinets and coated electrodes of base metal, for electric arc-welding	25%	25% or USD 250/MT
Wooden furniture of a kind used in offices, the kitchen, the bedroom, and other wooden furniture of HS code 9403.60.00	25%	Assigned as sensitive items – duty rate of 35%



# Changes Specific to Kenya

Description	Decision	
Increase in Duty	EAC CET Rate	Applicable Rate for 1 Year
Prefabricated buildings of HS code 9406.90.90	25%	Assigned as sensitive items – duty rate of 35% or 250/MT
Ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics.	25%	30% or USD 1.75 / SQM
Wire of iron or non-alloy steel of HS code 7217.20.00	10%	25%
Iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like	25%	25% or USD 200/MT
Helicopters and aero planes of headings 8802.11.00, 8802.12.00 and 8802.20.00	0%	25%
Insulated (including enameled or anodized) wire, cable (including co-axial cable) of heading 8544 excluding cables of tariff 8544.70	25%	Assigned as sensitive items – duty rate of 35%
Other switches for a volt not exceeding 1,000 volts of HS code 8536.50.00	25%	Assigned as sensitive items – duty rate of 35%



# Changes Specific to EAC Member States

## Duty remission approvals

In exercise of the powers conferred under Section 140 of EACCMA, the Council has approved remission of duty on the following raw materials and industrial inputs for a period of one year:

#	Item Description	Applicable Duty Rates under Remission
1	Unassembled mobile phones and inputs for the assembly/manufacture of mobile phones	0%
2	Wheat grain of HS codes 1001.99.10 and 1001.99.90	10%
3	Bars and rods of circular cross-section measuring more than 14 mm in diameter of HS code 7213.99.00	0%
4	Hot rolled spring steel flat bars and round and hex bars of HS codes 7228.30.00 and 7228.50.00	0%
5	Various fabrics of HS codes 5211.39.00, 5211.42.00, 5211.43.00, 5407.42.00, 5408.10.00, 5408.22.00, 5408.24.00, 5512.19.10, 5801.22.00, 5801.26.00, 5804.10.00	0%
6	Aerosol cans of HS code 7310.29.10	0%
7	Alu-Zinc coated steel coils and acrylic co-polymers used in the manufacture of stone coated metal roofing	0%
8	Various inputs for manufacture of energy saving stoves	0%
9	Seats, parts, recliner mechanism of HS code 9401.90.00	0%
10	Various inputs used in the manufacture of baby diapers including spandex, plastic cask and nonwovens	0%

Notable among the above measures are the incentives to manufacturers of baby diapers and mobile phones in line with Kenya's Big Four Agenda.

## Changes affecting the other EAC Partner States

The EAC member states continue to be keen on boosting manufacturing, the textiles and shoe sectors, and the telecommunication sector. Various measures adopted by EAC Partner States last year have been extended for a further one year as follows:

- The Council has approved a stay of the CET rates in favour of a duty rate of 0% on various telecommunication equipment imported for use by the telecommunication sector in Rwanda.
- Manufacturers in Uganda and Rwanda will enjoy duty remission of between 0% to 10% on the importation of raw materials and industrial inputs for the manufacture of furniture.
- Manufacturers in Tanzania and Uganda have been granted 0% duty remission on equipment

for polishing and heating gemstones. Further, manufacturers in Tanzania have been granted 0% duty remission on paper for manufacture of horticultural packing materials and inputs and raw materials for use in the production of agricultural seeds.

- Uganda, Tanzania, Rwanda and Burundi have been granted duty remissions on varied items, to incentivize manufacturers in the footwear and textile industries.

## Changes affecting the EAC as a whole

### Stay of conditions for remission

- *Motorcycle assemblers:* The Council has stayed the application of conditions contained in Legal Notice no. EAC/39/2013 of 30 June 2013, pertaining to duty remission on the motorcycle assembly industry, for one more year. The Legal Notice provides for duty remission for assemblers of Completely Knocked Down ("CKD") kits who procure/ manufacture the following specified parts within the EAC; main frame,

# Changes Specific to EAC Member States

suspension, or a combination of seat and seat frame, mudguard, wheel rim, break gear and exhaust pipe.

## ***Remissions relating to Personal Protective Equipment (“PPE”)***

- The Council has approved the remission of duty, such that duty will apply at a rate of 0% on importation of inputs for the manufacture of essential medical products and supplies including masks, sanitizers, coveralls, face shields and ventilators. This remission will apply for one year and is a welcome change in the face of the prevailing global pandemic.

## ***Exemptions regime***

The Council has amended Part B of the Fifth Schedule to the EACCMA as follows:

- The exemption under paragraph 15 (a) has been widened to apply not only to inputs, but to implements imported by persons engaged in horticulture, aquaculture, agriculture or floriculture. Further, the conditions for granting such exemptions have been tightened as such persons will now require recommendation from the responsible Minister in a Partner State subject to conditions and limitations imposed by the Commissioner. Previously, the exemption was available provided that the Commissioner was satisfied that the items were for use in the horticulture, aquaculture, agriculture or floriculture sector.
- The exemption under paragraph 15 (b) has been expanded to include fertilized eggs for incubation imported by persons engaged in poultry farming. Previously, only poultry parent stock was exempt.
- The exemption for relief goods imported for emergency use in specific areas where natural disaster/calamity has occurred in a Partner State has been expanded to include any supplies for diagnosis, prevention, treatment, and management of epidemics, pandemics and health hazards as recommended by the competent authority in the Ministry responsible for Health. This change will enable the EAC Partner States to access, at a



cheaper cost, the necessary items to deal with challenges similar to the present pandemic.

- The exemption for specialised equipment for development of solar and wind energy, including accessories and deep cycle batteries which use and/or store solar power has been deleted. Instead, only specialised equipment for generation of solar and wind energy, in addition to photovoltaic (PV) modules, direct current charge controllers, direct current inverters and solar accessories and deep cycle batteries which use and/or store solar power, will be exempt.

## **Conclusion**

This alert only highlights the key trends and changes introduced by the Gazette. Please feel free to contact your usual PwC contact or any of our Customs experts listed herein should you wish to discuss this further.



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