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## KAM engages KRA on VAT refunds and WHVAT



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Kenya Association of Manufacturers (KAM) engaged Kenya Revenue Authority (KRA) on 24th September 2019 to discuss Value Added Tax (VAT) credit refunds arising from Withholding VAT (WHVAT).

KRA noted that the provision for refunds was initially available on iTax but was disabled due to lack of legal backing.

With the current legal backing, KRA is engaging its Information Communications Technology (ICT) team to have the provision of refunds enabled on iTax by the end of October 2019.

KRA further clarified that the refunds are only those attributable to WHVAT.

The current tax system does not

allow direct tax offsets because KRA submits 100% of tax collections to the National Treasury. Offsets are only allowed once KRA gets an allocation for refunds from The National Treasury.

According to the proposed law, WHVAT refunds are restricted to the last 36 months after enactment of the Miscellaneous Amendment Bill.

### Way Forward

- KAM shall engage KRA and The National Treasury on modalities for VAT refunds or offsets.
- VAT Refunds on WHVAT to be enabled on iTax by the end of October 2019.

## TEA VALUE CHAIN STUDY REPORT LAUNCHED

In 2016, the Tea Industry Task Force Report recommended, among others, the need to expand and develop the tea markets through a review of the tea value chain to maximize value for stakeholders.

The East Africa Tea Trade Association (EATTA), on behalf of the tea industry, commissioned a value chain study to identify the challenges affecting various players across the value chain.

This brief sets out the policy issues identified and the recommendations to address them.

The tea subsector is governed by the Crop Act 2013, the Agriculture and Food Authority (AFA) Act 2013 and the Kenya Agriculture Livestock Research Organization (KALRO) Act, 2013. The Crops Act, 2013 regulates the registration of tea growers associations, dealers, manufacturing licence, licensing, inspection, levies and arbitration and resolution of disputes. The KALRO Act 2013 established the Kenya Agriculture and Livestock Research Organisation which promotes, streamlines, coordinates and regulates research in tea through the Tea Research Institute.



### Production

In tea production smallholder farmers and tea plantations face several challenges that prevent them from maximizing revenue from their harvests.

These challenges include:-

#### **a) Low productivity growth**

- High and rising labor costs
- Sub-division of land which reduces tea bush count thus lowering the farmers' revenue earning capacity.
- Unpredictable climate change which affects the production of green leaf.
- Lack of clarity on the new land tenure policy which is causing anxiety within the plantation sector and stifling investment.

#### **b) Challenges in Processing**

- High operational costs due to high cost of energy, labour and fleet maintenance which affect the profitability of farm operations.
- Tea hawking which negatively affects operation efficiency due to unpredictability of green leaf deliveries.

- High cost of complying with product quality and sustainability standards demanded by tea buyers that confer no advantages beyond guaranteed market access.
  - Price fluctuation of tea sold through the auction and direct sales.
  - Low levels of product diversification as most smallholder tea factories and plantation factories only process black CTC tea.
- #### **c) Challenges in Value addition**
- Lack of an enabling environment to stimulate private sector investment in building value addition capacity.
  - Stiff competition from established market players.
  - Predominant focus on black CTC tea whose global demand is gradually tapering off as preference for specialty teas for example, green tea grows.

## RECOMMENDATIONS

- Increase government investments in research and extension services
- Clarify the land tenure policy to ease anxiety and stimulate investment.
- Enact legislation to allow power generation to be conducted at different locations to increase processors' power generation options.
- Facilitate an enabling environment to allow for increased processing capacity.
- Explore the development of a harmonized standard to help lower compliance costs.
- The tea directorate to ensure that green leaf agreements are honoured by various processors to control green leaf diversion.
- Formulate favourable tax policies to incentivize private sector investment towards building value addition capacity in terms of infrastructure and technical capabilities.
- Broaden the focus of tea research to go beyond production to include value addition.
- Negotiation of bilateral trade agreements to help Kenyan value added and specialty teas secure access to high value markets.

## Listing Tool for Processed Foods for Use in Urban Areas

Based on gaps in the urban processed food listing tool, Global Alliance for Improved Nutrition (GAIN), Switzerland partnered with Intake (FHI 360) and Centre for Public Health Research of Kenya Medical Research Institute undertook a study to develop and test a feasible Food Listing Tool for Processed Foods for Use in Urban Areas.

The study's main aim was to develop a set of procedures and data capture formats to use in a food, recipe and ingredient listing exercises for urban areas in low and middle income countries with a focus on:

- Processed packaged foods and beverages that may be purchased in formal or informal markets or both.
- As a subset of "a" fortified processed packaged foods and beverages, for which additional details on the nature and level of fortification is needed.
- Processed foods and meals prepared and purchased outside the home, whether prepared by commercial food chains, local restaurants, street vendors or other types of food vendors. The urban food listing exercise was a sequential study adopting a range of primarily qualitative methods including desk review, expert consultation workshop, focus discussion groups, market survey and food registry review. Way Forward

### Way Forward

- **Desk Review:** National food consumption survey data was useful in developing an initial

food list and categories that informed the next activities.

- **Expert Consultation:** Potential sources of supporting information should be acquired prior to the EC. Further investigation into the kinds of product particularly in establishing the categories for packaged foods.
- **Focus Group Discussions:** Due to the difficulty in recruiting participants from the high SES Estates, it was recommended to consider alternative formats in the FGD to collect information. One of the limitations was time and availability and also have important implications for time and budget.
- **Market survey:** More time is required for the market survey work because the information collected from retail outlets was not used.
- **Food Registry:** The study has an elaborate and comprehensive categorization focusing on nutritional characteristics as compared to KEBS database which is more generalized.
- **Feasibility:** With limited budgets, some of the steps can be combined and prioritize food categories depending on the frequency.

### Conclusion

The full value of these methods can only be assessed following validation against data collected in large scale surveys inclusive of urban population.

## STAKEHOLDERS WORKSHOP ON KENYA TRADE REMEDIES AGENCY

KAM participated in the Third Stakeholders Sensitisation Workshop on the operationalisation of The Kenya Trade Remedies Agency, held on 26th September 2019.

KAM urged the government to address the cost of doing business, noting that Kenya currently has a 13% cost disadvantage compared to her neighbours.

The State Department of Trade Principal Secretary Dr Chris Kiptoo underscored the need to uphold Fair Trade practices to cushion manufacturers from material injury.

Kenya Trade Remedies Agency's mandated is to assist Kenya in investigating and responding to dumping, subsidization and surge of imports into the country. The training seeks to equip industries to utilize the Agency's framework set up within the Kenya Trade Remedies Act (2017).

KAM will hold a training on the Kenya Trade Remedies Act and establishment of The Kenya Trade Remedies Agency on 2th - 25th October 2019 at The Intercontinental Hotel.



KAM Head of Policy, Research and Advocacy Job Wanjohi making submissions on the Africa Continental Free Trade Area (AfCFTA) and the crucial role of the private sector in the African Union (AU) and the Intergovernmental Authority on Development (IGAD) in Morocco on 27th September 2019.



KAM and National Environment Management Authority (NEMA) pay a visit to Kapi Industries to assess their enhanced industrial effluent management system.

## WE VALUE YOUR FEEDBACK

Dear Member,

Thank you for your support and partnership in advocating for competitive and sustainable manufacturing sector.

In order to best serve you, kindly share any issue(s) you are facing by clicking on the feedback form below.

### [FEEDBACK FORM](#)

Thank you.

Regards,



Participants during the Law for Economic Regulation and Competition Capacity Building Workshop and Competition Policy Symposium.

KAM in partnership with the Competition Authority of Kenya held a Law for Economic Regulation and Competition Capacity Building Workshop on 18th-19th September 2019, and a Competition Policy Symposium on 20th September 2019.

The forums aimed to deepen participants' understanding of competition enforcement mechanisms and fostering competition for the benefit of both stakeholders and consumers.

The areas covered in the Workshop include:

- Law for Economic Regulation
- Economics for Competition and Regulation

The 6th Competition Policy Symposium was themed, '*Financial Inclusion and Small and Medium Enterprises (SMEs) Growth through Competition Regulation.*'

It focused on open finance in Kenya for SMEs and leasing and purchasing.

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Kenya Association of  
Manufacturers



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## TOP 2 POLICY ISSUES IN THE MEDIA

### 1. Taxes

- The Star [New policy to tax imported finished goods higher](#)
- Business Daily: [Progressive tax measures key to an impactful Finance Bill](#)

### 2. SGR and Logistics

- People Daily: [Circular economy the future of conservation efforts](#)
- Africa Business Communities: [Collective action needed to fix Kenya's wastewater today for a cleaner tomorrow](#)