

IN THIS ISSUE



EGMS Public Participation Fora

• 3 •



KAM engages KRA on fiscal policy

• 4 •



Kenya, Botswana Bilateral Meeting

• 5 •

COMESA High Level Summit



H. E. President Uhuru Kenyatta at the opening forum of Source 21 COMESA International Trade Fair and High Level Business Summit

The Source 21 COMESA International Trade Fair and High Level Business Summit took place from 18th to 21st July 2019 in Nairobi, Kenya.

The Summit, hosted during the 3rd Kenya Trade Week, centred on manufacturing competitiveness, digitalization and trade facilitation, digital financial services and regional payment systems, standards and quality issues, smart and sustainable cities and the African Continental Free Trade Area.

The event running under the theme, “Powering Regional Integration through Trade”, brought together policymakers and the private sector from the 21 COMESA member states to deliberate on ways to promote and advance cross border trade across the representative states.

The President of the Republic of Kenya, H.E Uhuru Kenyatta emphasized that regional integration promotes trade and brings together countries for a shared prosperity. “With increased intra – COMESA trade, there are opportunities for structural transformation of Member states, which hinges on improved productivity and competitiveness. This pivots on the ability to create sustainable conditions for enterprise creation and growth that responds to national and regional markets,” added President Kenyatta.

Heads of States from Kenya, Mauritius, Uganda and Zambia engaged business leaders and regional policy drivers on practical solutions during the Presidential Public Private Roundtable, where they discussed key strategies to enhance industry competitiveness, local sourcing and intra-regional trade.

COMESA Partners meet

Cont'd from page 1

Speaking during the event, Kenya Association of Manufacturers (KAM) Chairman and COMESA Business Council Vice Chairman, Mr. Sachen Gudka noted that, *“There is increased interdependence of countries of the world through the forces of globalization, which is occurring mainly through trade integration and manufacturing is the bedrock for this transformation. This transformation can be realized by having in place robust infrastructural developments in our region and paradigm shift towards inclusive industrialization, which will spur growth and lay a foundation for innovative economies.”*

The Event that was organized by the Government of Kenya, Kenya Association of Manufacturers (KAM) and COMESA Business Council (CBC), provided a great opportunity for industry players to network and learn from their peers through exhibitions and businesses to business linkages. Over 80 local and international exhibitors also showcased an array of their high-quality products.



KAM Team, led by the Trade and Tax Committee Chair, Mr Bharat Shah and Head of Policy, Research and Advocacy, Mr Job Wanjohi engage KRA on fiscal policy



COMESA Secretary General, Ms Chileshe Mpundu Kapwepwe speaking during the Source 21 COMESA Dinner hosted by KAM.



L-R: KAM CEO, Ms Phyllis Wakiaga, Trade PS, Dr. Chris Kiptoo, Industry CS, Mr Peter Munya and Deputy Head of Public Service and National Coordinator of the Multi-Agency Team against Illicit Trade, Mr Wanyama Musiambo during Kenya Trade Week.

KAM CEO, Ms Phyllis Wakiaga accompanies Trade PS, Dr Chris Kiptoo as he visits Exhibitors during Kenya Trade Week.



JOINT KAM-KPLC INDUSTRIAL VISITS

In an endeavour to advocate for better services by Kenya Power (KPLC), KAM Central Chapter has been engaging Kenya Power's technical teams through joint industry visits within the region.

Through these visits, members have raised their power pain-points for immediate action, shared plans for expansion and recommendations for improvement.

These engagements have been received positively within the membership. The team hopes to visit more members in a continuous cycle.

As part of the power advocacy initiatives, the Chapter committee also holds quarterly meetings with KPLC regional leadership team.

AFRICA ANTI-CORRUPTION DAY COMMEMORATED

KAM participated in the Africa Anti-Corruption Day held on 11th July 2019. The event themed Towards a Common African Position on Asset Recovery was dedicated to giving prominence to the anti-Corruption fight on the Continent.

As a member of the Kenya Leadership Integrity Forum (KLIF), KAM will continue to engage KLIF on the fight against corruption and represent KAM members' issues in the forum.

Public Participation Fora on EGMS

KAM participated in the Excisable Goods Management System (EGMS) public participation fora held from 15th to 17th July 2019.

The fora, organized by the Kenya Revenue Authority (KRA), provided a platform for stakeholders to engage the Authority on the Go-live of the EGMS on bottled water, juices, soda and other non-alcoholic beverages and cosmetics sector, effective 1st September 2019.

KAM Chairman, Mr Sachen Gudka noted that the costs attached to EGMS range from Ksh. 0.50 to Ksh. 2.80 per unit, which are high for all manufacturers and untenable for small industries, adding that this will impact negatively on the competitiveness of industry.

"Whilst the EGMS seeks to combat illicit trade and authenticate excisable goods, the implementation of the System will have a negative impact on industry by raising operating costs and capital expenditures thereby significantly increasing the cost of doing business, which ends up raising the cost of living for Kenyans," said Mr Gudka.

Manufacturers have also raised concerns that they do not have any control on possible increment on the excise stamp duty in future, as experienced by some sectors such as tobacco manufacturers, whose duty was increased from Ksh. 1.5 to Ksh. 2.8 per unit. They noted that this creates an unpredictable business environment that is a major disincentive for investment.

KAM has written to the National Treasury, KRA and the Ministry of Industrialization requesting for postponement of the EGMS Go-Live on 1st September 2019 until all issues raised by KAM are addressed.



KAM Chairman, Mr Sachen Gudka/File footage

KIAMBU COUNTY BMOs COALITION FORUM

The Kiambu County Business Membership Organisations (BMOs) Coalition met on 19th July 2019 to discuss and agree on a framework of engagement with Kiambu County Government. The County Government has been viewed to be unresponsive to the private sector engagements.

The coalition agreed on priority

areas to engage on and identified both short-term and long-term engagement goals.

The coalition will be having structured engagements with the County Government to influence policy and legislation. Further, regular meetings will be held to monitor progress and to share experiences.

KAM engages KRA on fiscal policy

Kenya Association of Manufacturers (KAM) engaged Kenya Revenue Authority (KRA) on 19th and 23rd July 2019 to deliberate on fiscal policies as follows;

Revised VAT refund formula: KAM's simulation indicated that there could be a build-up of credits despite the revision of the formula. For instance, due to the seasonality of businesses, inputs may increase but outputs may remain the same.

KRA shall come up with a solution in the event that there is a build-up of credits and its implementation on iTax. KRA will thereafter engage KAM to harmonize proposals and find a lasting solution.

Reduction of WHVAT from 6% to 2%: KAM demonstrated that manufacturers could be in a credit position while selling in export markets and/or domestic markets and with different mark-ups.

KAM and KRA were in agreement that in some instances WHVAT rate of 2% may not eliminate the accumulation of credits. Therefore, exemption from WHVAT as provided for in the law should continue.

Since there is no legal provision to refund credits arising from WHVAT, KRA will engage The National Treasury to provide for a legal mechanism of refunds.

Further, under the Miscellaneous Amendment Bill 2019, KAM had proposed refund/offset of credits arising from WHVAT. Its status will be confirmed once the Miscellaneous Amendment Act 2019 is made public.

KRA also anticipates that once the Tax Invoice Management System (TIMS) is rolled-out, the 2% WHVAT rate will be phased out.

VAT Exemption for plastic recycling plants: KAM engaged KRA on VAT exemption for all services offered to plastic recycling plants, the supply of machinery and equipment and the reduction of corporation tax from 30%-15%.

KAM raised practical questions on how the measures will be implemented. KRA reported that they are developing guidelines for use in the implementation. KAM should submit all concerns and questions to guide preparation of guidelines.

Reduction of IDF on raw materials and intermediate goods: KAM sought clarification from KRA on how the reduction of Import Declaration Fee (IDF) on raw materials and intermediate goods from 2% to 1.5% will be implemented. KAM proposed the use of an approved list of manufacturers and tariff lines.

KAM is seeking a separate meeting with the KRA Commissioner for Customs for further discussions on the same.

Excise tax refunds for industrial kerosene: The implementation of excise tax refunds for industrial kerosene, which has been pending for a long time, will benefit paint manufacturers.

KRA committed that the iTax functionality will have been enabled by 15th August 2019 and thereafter a pilot test shall be undertaken with at least two manufacturers.

Refund of anti-adulteration levy: Introduction of a provision under the Miscellaneous, Fees and Levies Act, 2016 to allow manufacturers of paint and resin to get refunds on the anti-adulteration levy paid.

KAM recommended that guidelines for anti-adulteration levy should be similar to those of the excise tax refund and should be formalized. The levy should also be refundable from the date it was implemented. KRA noted that this is possible as it is a matter of implementation

Delays in issuance of WHVAT exemption certificates: A number of manufacturers have been affected by delays in the issuance of WHVAT exemption certificates. KRA will provide feedback to affected manufacturers by 29th July 2019.

VAA system: KAM reported that manufacturers are still experiencing challenges with the VAT Auto Assessment (VAA) system. KAM shall compile new issues to share with KRA at a meeting to be held at a separate day to find solutions.

iTax functionalities: KAM engaged KRA on the numerous iTax functionalities which impact negatively on manufacturers. KAM will compile the challenges and share with KRA for a specific meeting to address the issues.

Delays in the issuance of TCC: Some manufacturers are experiencing delays in the issuance of TCC thus limiting their business activities. KAM shall forward all cases to KRA for their facilitation.

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,
KAM Team**

CONTACT US



15 Mwanzi Road,
Westlands, Opp.
Westgate Shopping Mall



www.kam.co.ke



info@kam.co.ke



@kam_kenya



Kenya Association of
Manufacturers



Kenya Association of
Manufacturers

Botswana, Kenya bilateral meeting

There are no trade impediments between Kenya and Botswana except on tariffs. Botswana is a member of the South Africa Customs Union (SACU) which comprises of Botswana, Namibia, South Africa, Eswatini - former Swaziland and Lesotho. Therefore, Botswana charges Kenya's imports full SACU common external tariff which goes as high as 35% for some finished products.

Tariff liberalization between EAC and SACU is yet to be finalised since the Botswana and EAC-SACU tariff liberalization deal has not been sealed by Senior Officials and the Council of Ministers. At the same time, only 4 countries have ratified the Tripartite Free Trade Area agreement. Botswana has not ratified the Tripartite Free Trade area agreement.

During the bilateral meeting between Kenya and Botswana held on 24th July 2019, it was found that Botswana imported goods worth Kshs 120 million while Botswana exported goods worth Kshs 34.7 Million.

Kenya and Botswana signed an MoU

and invited investors in the area of agriculture, agro-processing, animal feeds and fertilizers, pork and ostrich farming, energy sector on areas of solar including the manufacture of solar panels.

It became clear that Botswana has investments and trade opportunities in pharmaceuticals, nuclear reactors, beverages, spirits and vinegar, electrical machinery, optical photographic, cotton, coffee, tea and spices. Kenya has an interest in leather processing, production of dairy feeds and health facilities, coffee, tea, spices and milk.

The demand for milk in Botswana is 57 million litres against a production of 7.5 million litres. The country has a population of 2.3 million people with per capita income of US\$ 7,831.

KAM shall track with the State Department of Trade in the Ministry of Industry, Trade and Cooperatives whether the tariff liberalization agreement between EAC and SACU tariff agreed by officials has been escalated to higher authorities.

TOP 2 POLICY ISSUES IN THE MEDIA

1. Excisable Goods Management System (EGMS)

- **Business Daily:** [Soda, bottled water to cost more in KRA's Sh3.6bn tax](#)
- **The Standard:** [Tough excise duty rules put firms in a fix](#)
- **The Star:** [Manufacturers decry new water, beverages taxes](#)

2. Regional Integration

- **Journal du Cameroun:** [Museveni challenges COMESA members on under production](#)
- **COMESA:** [COMESA source21: a strategic showcasing opportunity](#)
- **The Herald:** [Comesa summit begins](#)