

NOTABLE CHANGES OF THE FINANCE ACT 2019.

The president consented into law finance bill 2019 on 7th of November 2019. It brought notable changes to various Revenue Acts. The following is a highlight of the changes.

Changes in the Income Tax Act

Digital market is a place of direct interaction between buyers and sellers of goods and services through electronic means. The amendment is aimed at clarifying that transactions in the digital economy are subject to tax.

Another amendment is reduction of corporate tax rate for companies operating plastic recycling plant from 30% to 15%. This rate will apply to the first five years from the year of commencement of the aforesaid activity.

More so, companies implementing projects under affordable housing scheme have been excluded from this capitalization requirements. This capitalization occurs where the company is substantially funded through debt financing instead of equity.

Re-introduction of Turnover Tax (TOT)

TOT has been re-introduced at a rate of 3% on gross income with a turnover of five million and below, which should be remitted monthly on or before 20th. However one may apply for exemption from TOT by writing to the commissioner. TOT will however not apply to the following cases; Rental income; Management or professional or training fees; income of incorporated companies; and Any income which is subject to a final withholding tax. A person required to pay TOT is still liable to pay presumptive tax annually at a rate of 15% of the value of business permit or trading license issued by a county government.

The TOT payable is the balance left after deducting the Presumptive tax paid.

CGT exemptions on corporate reorganization

Transition of property resulting from incorporation, recapitalization, acquisition, amalgamation, separation, dissolution or similar restructuring of a corporate entity are exempt from paying capital Gains Tax.

Changes in Value Added Tax

Definition of supply of imported services has been broadened to apply to persons not registered for VAT. This places an obligation on everyone who imports services to declare and account for reverse charge VAT.

Withholding VAT rate has been reduced from 6% to 2%. Withholding VAT shall not apply to the taxable value of zero rated supplies.

The supply of maize (corn) flour, cassava flour, wheat flour and maize flour containing cassava flour by more than ten percent in weight has been moved from the list of zero-rated supplies to the exemption schedule

Excise Duty on Betting

A betting transaction has been defined to include the collection or payment of winnings on a bet and any transaction in which one or more of the parties is acting as a bookmaker.

Amount staked is defined as money placed by a person for an outcome in a bet. The time of supply for betting transactions shall be the time when a person wagers or stakes money on a platform or other medium provided by a bookmaker. There has been introduction of 20% excise duty on the amount wagered and staked

The time of supply for betting transactions shall be the time when a person wagers or stakes money on a platform or other medium provided by a bookmaker.

Changes in Tax Procedure Act

Commissioner General has been given power to waive upon application the requirement of a Personal Identification Number (PIN) for transactions specified in the 1st schedule such as opening a bank account for specific persons such as visiting foreigners, privileged persons and foreign investors.

Registration and renewal of membership of professional bodies or licensing agencies or the registration of pay bills and till numbers by telecommunication operators will now require a PIN.

Objection of Tax Decision

The Commissioner is currently required to issue an objection decision within 60 days from the date a taxpayer lodges an objection to any tax assessment. The commissioner has been given a window to extend this period by 60 days from the date any further information required by the Commissioner from the taxpayer is received.