



Mbaya and Associates <sup>LLP</sup>  
CERTIFIED PUBLIC ACCOUNTANTS

# Tax Amnesty

on Interest and Penalties for periods up to 31st December 2022

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# Newsletter

MBAYA AND ASSOCIATES

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## Introduction

We are pleased to release the ninth edition of our tax newsletter.

This issue will primarily focus on the recent developments in the tax regime and time management techniques. From the articles that follow, you may get one or two ideas to help you better manage your resources, time being one of the greatest of them.

On the right column of the newsletter, you will find contact details for key members of our team who can help answer any questions you may have about the issues highlighted in this newsletter or any other matter.

We are interested in your feedback on the items covered and what topics you would like covered in the future. Please provide any feedback at [tax@mbaya.co.ke](mailto:tax@mbaya.co.ke)

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## » From the TaxDesk »

### Affordable Housing Levy (AHL)

Through a public notice dated 15<sup>th</sup> August, 2023, Kenya Revenue Authority clarified the following with respect to the AHL.

- » **“Gross monthly salary”** constitutes **basic salary** and **regular cash allowances**. This include **housing, travel or commuter, car allowances** and such regular cash payments and would exclude those that are non-cash as well as those not paid regularly such as **leave allowance, bonus, gratuity, pension, severance pay** or any other terminal dues and benefits.
- » All employees irrespective of their contract of service shall pay the AHL.
- » Taxpayers paying housing levy under Section 31B of the Employment Act are not eligible for Affordable Housing Relief under the Section 30A of the Income Tax Act Cap. 470.

KRA is committed to ensure employers are optimally supported and will continuously engage and collaborate with stakeholders to enhance compliance with the Affordable Housing Levy provisions.

### Tax Amnesty on Interest and Penalties for periods up to 31st December 2022

Through a public notice dated 1<sup>st</sup> September, 2023, the Kenya Revenue Authority (KRA) has notified taxpayers that the Finance Act, 2023 introduced a tax amnesty on interest and penalties on tax debt for periods up to 31st December, 2022. The tax amnesty will run from 1st September, 2023 to 30th June, 2024.

The tax amnesty shall be implemented as follows;

- » Where a person has paid all the principal taxes that were due by 31st December, 2022, the person will be entitled to automatic waiver of the penalties and interest related to that period and will not be required to make an amnesty application.
- » Where a person has not paid all the principal taxes accrued up to 31st December, 2022, they will be required to apply to the Commissioner for amnesty on interest and penalties and propose a payment plan for any outstanding principal taxes which should be paid not later than 30th June, 2024.

The Finance Act, 2023 also deleted the tax waiver and abandonment provisions hence taxpayers are encouraged to take advantage of the tax amnesty. Taxpayers are advised to visit their nearest Tax Service Office to make payment arrangements for outstanding principal taxes and for any further clarification.

For further information as to how to take advantage of the tax amnesty program, please visit the link <https://www.kra.go.ke/popular-links/guidelines-on-tax-amnesty-2023-2024>. You can engage us for further advise and action and we will be more than willing to offer a helping hand.

## Issues to consider for Kenya on the Road to Launch of Carbon Tax

(Wambua, Clarice; Kanyi, Alex;, 2023) | Business Daily

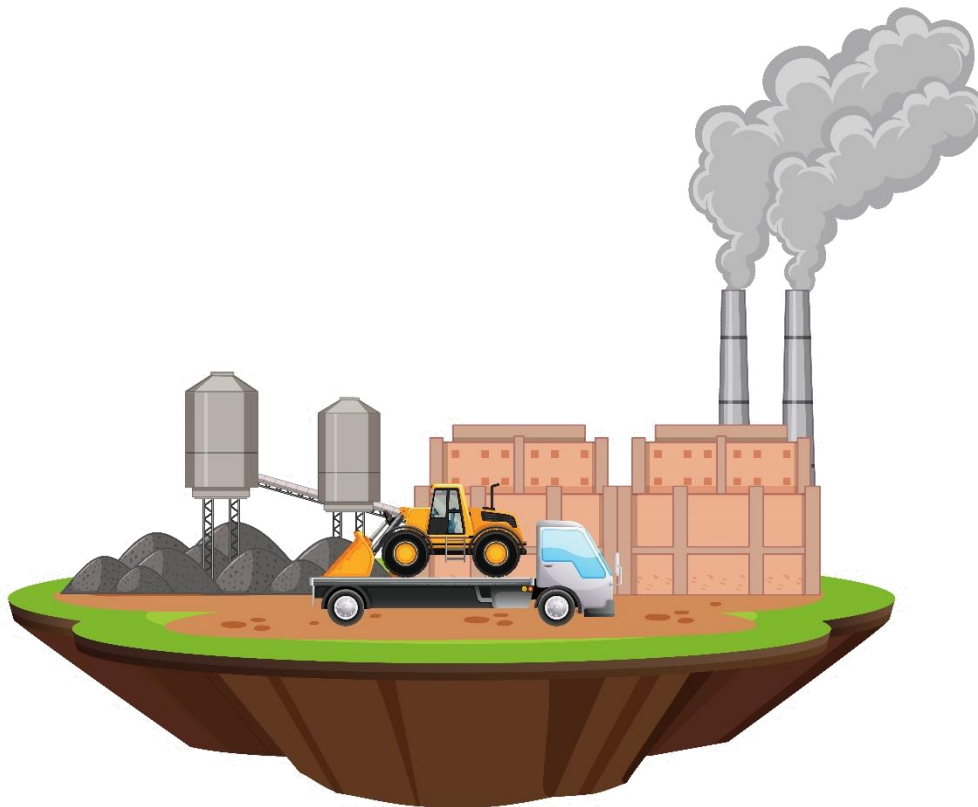


Image by brgfx on Freepik.com

The global climate crisis is having a big impact on both people and the planet. Heatwaves, droughts, floods and other extreme weather events are increasingly affecting life as we know it and reducing greenhouse gas emissions is now more than ever, a worldwide imperative.

The National Treasury has issued Kenya's Draft National Green Fiscal Incentives Policy Framework for public comment. The draft policy is a resounding acknowledgement by the government of the need for Kenya to go all-out green. It highlights the different fiscal policy measures that can be used in the country's pursuit of low-carbon climate-resilient development, to deal with the challenge of global warming.

Among the draft's suite of proposed measures, one that has elicited great attention is the proposal for the government to explore the viability and design of a carbon tax. The aim of such an initiative is to lower GHG emissions and provide a

revenue stream that can be used to meet broader government objectives. Specifically, the draft policy proposes a carbon tax to facilitate the switch to clean energy and foster the polluter pays principle.

It also calls for an evaluation of the modalities to include afforestation or reforestation projects in the national carbon tax scheme. While taxes have been imposed since time in memorial, carbon taxes are of more recent origin. As of April 2022, the World Bank reports that there are only 37 carbon tax initiatives in different countries around the world, though the number is likely to increase as more countries seek direct carbon pricing as a response to the challenge of climate change.

A carbon tax can be levied across major economic sectors, including but not limited to, industrial production, energy, transportation, manufacturing, and agriculture. Further, it can be levied on downstream consumers, midstream traders or upstream production depending on which achieves the highest emissions reduction coverage for the lowest administrative burden.

There is a need to determine the relevant tax base and incidence of levying carbon tax in Kenya, informed by the sectors that rank as highest emitters in the country. However, exemptions would need to be provided as necessary for certain sectors or industries, to ensure a careful balance between economic, social and environmental goals.

For example, while the agricultural sector is currently the largest source of total GHG emissions in Kenya, consideration of how a carbon tax in this sector affects food security, will be paramount.

The applicable tax rate is also another important issue for consideration. Notable factors that determine the carbon tax rate include revenue raised, GHG emissions reductions, or alignment with peer countries and competitors to ensure a level playing field.

Competitiveness and leakage should also be high on the list of considerations. Since the goal is to encourage firms and consumers to reduce GHG emissions, the efficacy of carbon tax is measured based on how much this goal is met by firms and industry players.

Unfortunately, some companies are likely to shift production to countries not covered by a carbon tax, leading to 'leakage'. This challenge can be managed through the application of carbon taxes to imported goods or providing rebates to trade-exposed industries or through tax exemptions.

## An Introduction to IFRS Sustainability Disclosure Standards

### Frequently Asked Questions

Would a company that applies IFRS Accounting Standards also be required to comply with IFRS Sustainability Disclosure Standards?

No, IFRS Accounting Standards apply to the financial statements. Even if a jurisdiction requires the application of IFRS Accounting Standards, it will decide whether companies under its jurisdiction will be required to comply with IFRS Sustainability Disclosure Standards.

The proposed General Requirements Exposure Draft would require a company to make a separate statement that it has complied with all the relevant requirements of IFRS Sustainability Disclosure Standards.

### Would IFRS Sustainability Disclosure Standards be mandatory?

Jurisdictional authorities would decide whether to require the application of IFRS Sustainability Disclosure Standards, just as they have decided whether to require the application of IFRS Accounting Standards. The ISSB does not have the right to mandate the application of its standards. However, companies can choose to apply them. The Canadian Securities Administrators determine reporting requirements for Canadian public companies.

### When are the proposed standards likely to come into effect?

One of the questions in the proposals is how long companies think they would need to prepare to apply the proposals.

The ISSB will consider all feedback on the proposals in compliance with the IFRS Foundation's rigorous due process requirements and aim to finalize two IFRS Sustainability Disclosure Standards by the end of 2022. During these deliberations, the ISSB will consider the effective dates of the standards. Once the standards are issued, the requirements would be available for immediate voluntary adoption.

### Does the ISSB have plans to develop additional IFRS Sustainability Disclosure Standards?

Later this year, the ISSB will consult on its standard-setting priorities. This consultation will include seeking feedback on other sustainability-related risks and opportunities relevant to the assessment of enterprise value and on further development of industry-based requirements, building on SASB standards.



## Time Management

Time can simply be defined as an indefinite period. Time management is the ability to use one's time effectively or productively, especially at work. The key to using time effectively is better management. Managers leaders and employees need to manage their time effectively. You must budget your time to achieve good results. To budget your time, you will have to establish specific goals, design deadlines, and allocate time for each important activity that you want to perform each day. As a person, you are actively involved in creativity, innovation, problem-solving and opportunity- seeking on behalf of your organization. These activities are hallmarks of entrepreneurial persons. Hence it is essential that you set aside your time for each of them, plus all other duties to be performed in your organization.

### Setting daily goals and time-scheduling

You will set your daily goals, which must be specific and attainable. This is the keystone to scheduling your time. It will give you a sense of purpose and accomplishment at the end of each day. Both goal-setting and time-scheduling are important processes that differ for each individual.

Be aware and do recognize that you have time limits for each goal. Your creative and productive activities should include setting goals, determining priorities, and establishing convenient time limits in your organization.



It is necessary for you to be goal-oriented. Have your short-term and long-term goals and establish your work priorities. It is also important to avoid spending too much time on easy problems and leaving out difficult ones. Just identify the major problems and use your priority order to tackle them all.

## Potential ways of wasting time

- » Taking too much time to chat with people on personal matters not connected with work.
- » Long group or committee meetings that are not productive.
- » Too many interruptions during working time.
- » Disorganization arising from poor management.
- » Work is not properly delegated or very little delegation is allowed.
- » The leader/manager may not be decisive.
- » Lateness and absence are other potential ways of losing time for performing tasks.



## Time saving methods

- » Maintain a simple filing system. It is useful to review the files at regular intervals. Those, which are no longer needed, should be thrown away or archived.
- » Let your committee meetings and conferences be held near lunchtime or dinnertime. The majority of the participants will be keen to finish the meetings within the scheduled time.
- » Screen telephone calls Answer only the essential ones. You can answer others later.
- » Keep your desk clear by removing away the materials, which you are not currently using. By doing so you will avoid distraction and the tendency of doing too many things at the same time.
- » Be fully aware of your key hours of the day. Use part of your lunch-time and a short period in the evening to finish the work.

Successful entrepreneurs must use their time effectively because any time which has been spent is gone. It cannot be recovered. Entrepreneurs must use every minute productively. They must adopt their own methods of planning, organizing leading/directing and controlling for the most productive performance.



## Time management techniques

- » **Daily goals:** First, identify your specific daily goals. Know what you want to accomplish each day. List the work goals, in order of importance. Then start by tackling the most important goals on your priority list. Have time to work on your own

until you finish your major goals. There should be no interruptions and distractions during this time of your total concentration. Establish your office routine to operate even if you are not there.

- » **Deadlines:** Set specific deadlines with time targets to achieve the tasks. Let your deadlines be realistic and achievable. Do everything possible to meet your time targets.
- » **Taking notes:** Maintain a notebook or diary all the time. Write down your established key points to provide a permanent record of committee meetings, telephone conversations, and your discussions with others. Record your thoughts and ideas plus future appointments, things to do, names, and telephone numbers of the people you deal with.
- » **Use telephone:** Use the telephone as the main communication link between your office and others in your working world. Keep letters to a minimum except where necessary. Use WhatsApp and e-mail facilities to communicate with your working world. A telephone is particularly good because it provides a two-way conversation. Hence it is quick for solving problems as opposed to long meetings or letters.
- » **Self-motivation:** Successful people are highly motivated individuals. Motivation helps them to accomplish the tasks which are to be undertaken within a planned period.
- » **Action oriented:** Be action-oriented if you want to manage your time-well. Once you decide to do something, eg. solving a problem, do it promptly. It is advisable to take time to plan your work and then implement it.
- » **Work plan:** Plan your work in detail for today and tomorrow as well. At the end of a day's work, it is logical to prepare another work schedule for tomorrow. Reduce the danger of procrastination. At the end of each day, you will examine ways in which time was wasted and use the experience to avoid time-wasting activities in the future.
- » **Ask managerial questions:** Before you start working, you need to ask helpful and relevant questions. Examples of helpful questions are: *What? When? How? and why?* The answers to these questions help you to find out more effective and efficient ways of attaining your goals and objectives. Such questions may be:
  - What activities do you need to delegate to your staff?
  - What are your priorities in the decision-making process?
  - Do you have properly scheduled activities? Are they timely accomplished?
  - Do you concentrate on one activity at a time?
- » **Avoid doing everything:** It has been said: "if you want something done, have a busy person do it." You are a busy person with purposeful actions. Concentrate your efforts on the important things that lead to significant results. Select your work activities and try as much as possible not to do everything. If some activities are not directly connected with your priority goals, it is advisable to say "no" because they are time-consuming.
- » **Reflective thinking:** Acquire this art of learning from one's experience, present, and potential future activities. People think about what they do, hence they do not find time to be alone while resting or before sleeping. It may be when one is traveling, waiting for transport or walking alone. You can use such times for reflecting on your work.

- » **Review and evaluate your experience:** If you review and evaluate your past experiences you, will determine which ones were interesting and productive. You will know which ones are likely to face similar experiences in the future, you can choose the activities you consider useful and productive for your future activities.
- » **Working in blocks of time:** It is advisable to perform some tasks within a given period when you feel most effective. This can allow you to work undisturbed for the period. This can be for 3 or 4 hours. Lunch – time can be included in which case you take a good breakfast and miss lunch. This can be critical to your success if you are dealing with a special problem or situation.

## Remember these useful TIME GOALS

- » Concentrate on important activities
- » Avoid the deadline trap
- » Plan time management
- » Recognize time constraints and minimise disruptions
- » Get information quickly
- » Consider time as your major asset and invest wisely in time management.

“ Time flies, but the good thing is that you are the pilot ”

As always, we are interested in your feedback on the items covered and what topics you would like covered in the future. Please provide any feedback at [tax@mbaya.co.ke](mailto:tax@mbaya.co.ke)

## Tax Due Dates

Withholding Tax | 20th Day of the following month

Pay as You Earn | 9th Day of the following month

VAT | 20th Day of the following month

Balance of Tax on Self-Assessment | 4th Month after year end

Monthly Rental Income | 20<sup>th</sup> Day of the following month



### *Instalment Tax*

1st Instalment | 20th day of the 4th month after year end

2nd Instalment | 20th day of the 6th month after year end

3rd Instalment | 20th day of the 9th month after year end

4th Instalment | 20th day of the 12th month after year end

Kindly note that all the returns must be filed on I tax while the payments e-slips must be generated from the I-Tax platform.

### *Digital Service Tax (DST)*

20th day of the following month

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