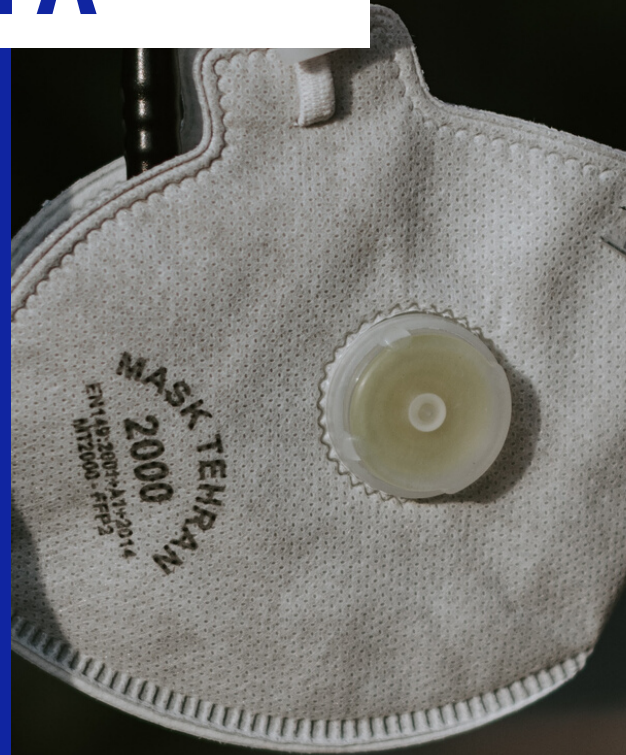




ANANT BHATT LLP
CERTIFIED PUBLIC ACCOUNTANTS
AUDIT | TAX | ADVISORY



KENYA'S RESPONSE TO COVID-19 (CORONAVIRUS) FOLLOWING THE SPEECH BY H.E. UHURU KENYATTA



COVID-19 UPDATE 26/3/2020

Anant Bhatt LLP has prepared a brief report on the measures taken by the Government of Kenya following the global pandemic of COVID-19 (Coronavirus).

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WHAT IS CORONAVIRUS?



Coronaviruses are a group of related viruses that cause diseases in mammals and birds. In humans, coronaviruses cause respiratory tract infections that can be mild, such as some cases of the common cold (among other possible causes, predominantly rhinoviruses), and others that can be lethal, such as SARS, MERS, and COVID-19.

In Kenya, H.E. Uhuru Kenyatta announced a countywide curfew (The Public Order Act, Legal Notice No.36) from 7 pm to 5 am starting Friday in response to the Covid-19 pandemic. A number of measures were announced on 25/3/2020 to help all Kenyans cope with the expected economic turmoil.

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1**CHANGES TO KENYAN TAXATION REGULATIONS****TAXATION RELIEF**

The Government of Kenya has ordered a 100% tax relief for everyone with a gross monthly income of ≤ Ksh 24,000.

This will greatly comfort those who are most at risk of losing their livelihoods such as daily and other low income workers.

VALUE ADDED TAX (VAT)

The Government of Kenya with effect from 1/4/2020 has decided to reduce the VAT rate from 16% to 14% (The Value Added Tax Act, 2013 - Legal Notice No. 35), and process all VAT claims within a tight time frame of 3 weeks. The move is meant to minimize disruptions between KRA and tax payers, as VAT refunds are a highly disputed area.

PAY AS YOU EARN (PAYE) REDUCTIONS

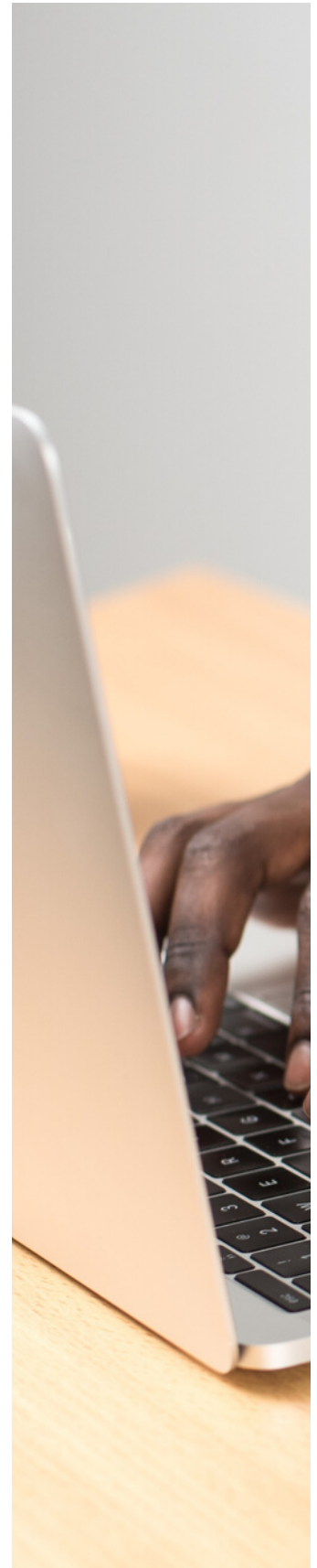
The Government of Kenya has taken the step of reducing the highest PAYE bracket from 30% to 25%, thereby aiding the highest income earners in the country. This move will go far in protecting the confidence levels of investors in Kenyan companies and securities, which ultimately has a domino effect on the Kenyan Shilling valuation.

REDUCTION IN TURNOVER TAX (TOT)

In order to effectively support the SMEs of Kenya, the TOT rate has been dropped from 3% to 1%. The move is expected to aid the cash flows of businesses in this difficult period. Currently all global supply chains are affected, thus this move will aid companies to remain competitive across the board.

CORPORATION TAX REDUCTION

Government directive indicated that the new corporate tax rate for resident companies is 25%, however, non-resident companies will continue to pay a rate of 37.5%. This move will go a long way in avoiding laying off workers from fear of salary payments.



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ADDITIONAL MEASURES TAKEN BY GOK



- The Universal Health Coverage fund will use KSh 1 Billion (\$9.5 million USD) to help recruit additional healthcare workers in managing the impact of COVID-19.
- Making available KSh 10 billion (\$95 million USD) to vulnerable groups including the elderly and orphans, among others. This is a huge step that will aid those most in need of support.
- Temporary suspension of the listing of loan defaulters for of any person, micro, small and medium enterprise and corporate entities whose loan account is in arrears. The move is effective from 1/4/2020.
- The President and his Deputy to take a 80% pay-cut, all Cabinet Secretaries to take a 30% pay-cut, Chief Administrative Secretaries 30% and Principal Secretaries 20%. This is a good step from those in charge.
- All State and public officers aged 50 and above; and have preexisting medical conditions, to take leave from work, or be allowed to work from home. This directive excludes those public officers working in the security department.
- Central Bank of Kenya has decided to lower the Central Bank Rate from 8.25% to 7.25%.
- Reduce the Cash Reserve Ratio from 5.25% to 4.25% to increase liquidity of KSh 35 billion to commercial banks, which, in turn, will be in positions to provide loan services to “distressed Kenyans”.
- There has been a suspension of all international flights effective at midnight on 25 March, with the exception of cargo flights (all persons entering the country will be required to undergo quarantine at a government facility).
- All citizens urged to socially distance themselves.

3**IMPACTS OF CORONAVIRUS GLOBALLY****GLOBAL SHARES TAKE A HUGE HIT**

The FTSE, Dow Jones Industrial Average and the Nikkei have all seen huge falls since the outbreak began on 31 December. The Dow and the FTSE have seen their biggest one day declines since 1987.

INTEREST RATES CUTS

Investors fear that the continued spread of COVID-19 will hamper economic growth and that government action may not be enough to stop the decline. In response, central banks in over 50 countries have cut interest rates. That should, in theory, make borrowing cheaper and encourage spending to boost the economy. The US Federal Reserve and the Bank of England are among those to cut interest rates.

TRAVEL BAN AND THE IMPACT ON AIRLINES

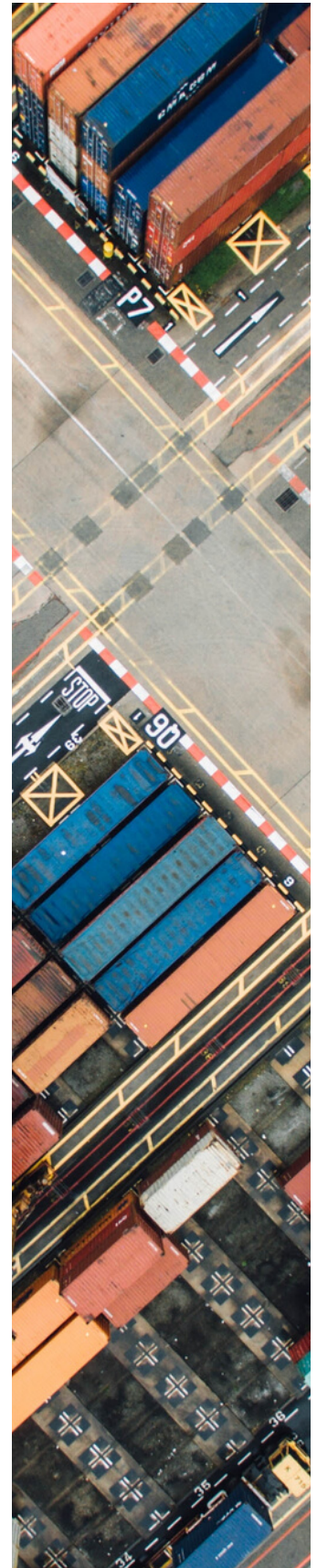
The EU is banning travelers from outside the bloc for 30 days in an unprecedented move to seal its borders due to the COVID-19 crisis. Analytics firm ForwardKeys has estimated that up to 48,200 flights with 10.2 million seats could be affected from the ban, with the biggest impact falling on Air France.

FALL IN GOLD PRICES

In times of crisis, most investors tend to opt of safer investments such as gold. Up until March the price of gold were on the rise. Now however, with investors increasingly fearful about a global recession, even the price of gold has tumbled.

CONTINUED FALL OF OIL PRICES

Oil has slumped to its lowest price since June 2001. Investors are fearful that the global spread of the virus will further hit the global economy and demand for oil. The oil price had already been affected by a row between OPEC, the group of oil producers, and Russia.



4**TAX PLANNING OPTIONS AMID CHANGES****EXTENDING THE TIME TO FILE RETURNS**

According to the Tax Procedures Act of Kenya, 2015 (Section 25), an application for an extension of time to file returns is possible (VAT, PAYE, and/or annual returns). Applications for VAT and PAYE must be made 15 days prior to the due date, and the annual return application 30 days prior.

Additionally,

- The limit of 1 application per tax period will be imposed.
- The commissioner will have to indicate to all taxpayers of the outcome of their requested application at least 5 days prior to the due date. When a taxpayer is not given a response, the application is understood to have been accepted.
- No late submission penalties will be applicable where an application of time to file has been approved.

EXTENDING THE TIME TO PAY TAX

According to the Tax Procedures Act of Kenya, 2015 (Section 33), any persons who can foresee themselves unable to meet their taxation obligations can apply for a extension, and may pay outstanding taxes thereafter. The commissioner of taxation has the authority to allow the tax payer to fulfill taxation obligations in installments.

Additionally,

- If the commissioner of tax allows for taxation to be paid in installments, and any payment defaults, the commissioner will convert the entire tax bill to be due instantly, requiring payment to be made immediately.
- An extension of time to pay tax will make the individual liable for late payment interest.

TAXATION CALENDAR

If additional guidance on taxation payment is needed, go on:
<https://rebrand.ly/anantbhattllp>

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ADDITIONAL INFORMATION

SOME CORONAVIRUS INFORMATION**SYMPTOMS**

High fever



Cough



Sore throat



Head ache

PREVENTIONWash your
hands oftenWear a face
maskAvoid contact
with sick peopleAlways cover
your cough
or sneeze**CURFEW WILL NOT IMPACT THE FOLLOWING:**

- Medical & Health Professionals.
- National Security, Administration and Co-ordination of National Government officers.
- Public Health and Sanitation officers.
- Licensed Pharmacies, Pharmaceutical companies and drug stores.
- Licensed media and broadcasters.
- Kenya Revenue Authority.
- KAA and Licensed Civil Aviation providers.
- Kenya Civil Aviation Authority.
- Kenya Airways PLC.
- Kenya Ports Authority and Licensed Port Operators.
- Power production and distribution companies.
- Water service providers.
- Food and farm produce processors, distributors, dealers, wholesalers, retailers and transporters.
- Licensed mini/hyper/supermarkets.
- Retailers of petroleum, oil products and lubricants.
- Licensed telecommunication and service providers.
- Licensed banks, financial institutions and service providers.
- Fire brigade and emergency response services.
- Licensed security firms.
- Postal and courier services.



IN LINE WITH WHO GUIDELINES TO PROTECT AND SAFEGUARD AGAINST THE SPREAD OF COVID-19, THE FIRM HAS DECIDED TO IMPLEMENT SOCIAL DISTANCING AND ASKED ALL STAFF TO WORK FROM HOME TILL 31/3/2020. NORMAL OPERATION WILL COMMENCE FROM 1/4/2020 SUBJECT TO MINISTRY OF HEALTH AND COUNTY GOVERNMENT OF MOMBASA DIRECTIVES.

ANANT BHATT LLP SINCERELY THANKS AND APPLAUDS ALL HEALTHCARE PROFESSIONALS, AND SERVICE PROVIDERS AT LARGE STANDING ON THE FRONT LINE TO HELP EVERYONE DURING THIS DIFFICULT PERIOD.

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