

26<sup>th</sup> May 2025

The Clerk to the National Assembly  
Parliament Building  
Nairobi

Dear Sir,

**NETHERLANDS BUSINESS HUB KENYA**  
**RE: LEGISLATIVE PROPOSALS FOR THE FINANCE BILL 2025**

We, the Netherlands Business Hub Kenya ("NLBH") refer to the above matter where you invited members of the public and organizations to submit any representations that they may have on the Finance Bill, 2025 ("the Bill").

**1. BACKGROUND**

NLBH, supports Dutch companies entering and operating in the Kenyan market, promoting trade between the Netherlands and Kenya. It provides a robust business and social network to help Dutch companies start, develop, and expand their activities.

As stakeholders, we address the Finance Bill 2025, believing it needs more consideration. We are concerned about certain proposed amendments which may negatively impact on our members as well as the general business and investment climate in Kenya.

Based on the above, we summarize the main points as follows.

**2. OUR SUBMISSIONS**

**2.1 Taxation Of Shipping Income In Kenya**

Paragraph 16 of the Bill seeks to amend Section 35 of the Income Tax Act (ITA) by inserting a new as follows;

*16. Section 35 of the Income Tax is amended— (a) in subsection (1), by inserting the following new paragraph immediately after paragraph (t)— (u) gains or profits which are chargeable to tax under section 9(1) derived from the business of a ship owner or charterer*

Section 9(1) of the ITA already provides:

The proposed amendment seems to target the accounting of tax declaration under section 9(1) from that of self declaration by the shipping lines and their agents to being done by the shipping lines clients. We note challenges with this proposed amendment as follows;

- ✓ Creation of ambiguity and conflict – The amendment proposes that tax under Section 9(1) moves to withholding tax while still maintaining Section 47 for the shipping lines and their agents to self account. This creates multiple taxation points on the same income;

- ✓ Previously, similar attempts were made for self declaration with disastrous results i.e. lower tax collections by the tax authority and various tax disputes which exist to date;
- ✓ The proposed shift in tax collection responsibility to local entities is likely to create considerable confusion in implementation. We foresee a scenario where some taxpayers may use the PIN of the local agents for withholding, leading to complications in our iTax ledgers.

### **Our Proposal**

We strongly recommend deleting the current proposal and maintaining the existing framework under Section 9(1) and Section 47. Some issues that affect our members have been addressed:

#### **2.2 VAT REFUNDS TIMELINES REDUCED FROM 24-12 MONTHS.**

Paragraph 50 of the Bill proposes increasing refund processing from three months to four months, and the audit period from four months to six months.

Extended timelines harm taxpayer cash flow, especially in capital intensive industries for example flower companies. Delays erode trust, hinder compliance, and cause financial strain or increased borrowing. Quick refunds boost economic activity and fairness.

### **Our Proposal**

Retain Section 47 in its current form.

#### **2.3 SUPPLY OF ELECTRIC BICYCLES AND BUSES EXEMPTION**

Businesses that deal in zero-rated goods can reclaim input VAT, reducing costs. In contrast, those dealing in exempt goods cannot reclaim input VAT, which results in higher operating expenses. The initial policy in the Finance Act 2024, effective 1<sup>st</sup> January 2024 of zero-rating the supply of electric bicycles and buses aimed to promote the use of cleaner transportation and decrease reliance on fossil fuels.

Reversing this proposal to less than 18 months later may lead to increased costs and reduced foreign direct investments due to the perception of an unstable tax policy.

### **Our Proposal**

Retain the supply of electric bicycles, vehicles and other electric transport means under zero-rating.

#### **2.4 IMPORT OR PURCHASE OF INPUTS AND RAW MATERIALS FOR ANIMAL FEEDS VAT EXEMPTION**

The Finance Act 2023 zero-rated the import and purchase of raw materials for animal feeds to make them affordable and promote animal farming in Kenya. This aimed to boost local farmers' output and turn Kenya into a net exporter of animal products. Moving these materials from zero-rating to exempt status will raise costs for farmers and discourage industry investment due to unstable tax policies, hindering industry growth.

### **Our Proposal**

Retain the supply of animal feed inputs.

#### **2.5 PACKAGING MATERIALS FOR TEA AND COFFEE EXEMPT OF VAT**

The Bill proposes to exempt packaging materials for tea and coffee upon the recommendation of the Cabinet Secretary responsible for agriculture. This change from standard-rated to exempt status will improve cash flow for businesses. However, suppliers will no longer be eligible to claim input VAT.

### **Our Proposal**

Move from exempt to zero-rated.

#### **2.6 NEW AND INCREASED EXCISE DUTIES ON PLASTIC-BASED MATERIALS, INCLUDING THOSE USED FOR PACKAGING**

This will increase costs for businesses importing these materials, potentially raising prices for products like packaging, stationery, and plastics where the goods are not from EAC Partner States meeting the Rules of Origin. The increase in the tax costs for packaging materials will impact packaging materials for various industries especially flower farms in Kenya.

#### **Our Proposal**

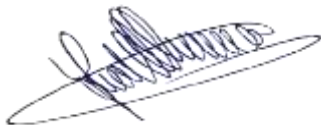
Delete the provisions, but also provide favourable rules for re-use/recycling of packaging materials eg zero-rate input/excise duty.

### **3. CONCLUSION**

In conclusion, we request your favorable consideration and support of our submissions. Please feel free to reach out to the undersigned should you require additional information or clarification regarding our submissions on telephone number 0115 85 10 99 or on email [gm@nlbh.ke](mailto:gm@nlbh.ke) or [contact@nlbh.ke](mailto:contact@nlbh.ke)

Yours Faithfully

For: **Netherlands Business Hub Kenya**

A handwritten signature in blue ink, appearing to read 'Yvonne Oerlemans', written over a horizontal line.

**Yvonne Oerlemans**

**General Manager**