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JUNE 2021 – KENYA | MAURITIUS | TANZANIA | UGANDA
BUDGET SPEECHES and LEGISLATION CHANGES

It is important that employers note the following:

KENYA

2021/2022 Budget speech and tax changes

The following are highlights from the Kenyan government's budget for the 2021/22 fiscal year, as presented to Parliament by Finance Minister Ukur Yatani on 10 June 2021.

Economic highlights

- The global economy is projected to grow by 6% in 2021. The global economic performance is estimated to have contracted by 3.3% in 2020, compared to a growth of 2.8% in 2019.
- The Kenya National Bureau of Statistics (KNBS) has delayed the release of the annual survey that was to reveal the full extent of damage inflicted on the economy from the Covid-19 contained measures. In addition, the real Gross Domestic Product (GDP) data for the second and third quarters of 2020 was also delayed.
- Growth is projected to bounce back to around 6.6% in 2021, supported by a stable macroeconomic environment, expected favourable weather and ongoing Covid-19 vaccinations.
- The level of fiscal deficit is planned to be reduced from 8.7% of GDP in the current budget to 7.5% of GDP in the financial year (FY) 2021/22 and further to 3.6% of GDP in the FY 2024/25.
- Ksh 142.1 billion has been allocated in the FY 2021/22 to support the implementation of priority programmes under the "Big Four" agenda in various ministries, departments and agencies.
- The government has enhanced allocations to the health sector to support the response to the pandemic and improve health outcomes. An amount of Ksh 47.7 billion was allocated to universal health coverage (UHC).

Income tax measures

- Government has proposed expanding the scope of the digital service tax to include income derived through internet and electronic network.
- New National Health Insurance Fund (NHIF) tax relief: Insurance relief to be claimed is equivalent to 15% of the premiums paid with a cap of KES 5,000 per month. The NHIF Amendment Bill, 2021 proposes to require employers to match employee's NHIF contributions, with effect from 1 January 2022.
- Employers who employ graduate apprentices from technical and vocational institutions (TVET) to enjoy a rebate equal to 50% of salaries paid if they hire at least ten apprentices who are university graduates for a period of 6-12 months.

To read the budget speech, follow the link.

Amended Employment Act, 2021

Pre-adoptive leave entitlement to employees

The President assented to an Act of Parliament amending Section 29 of the Employment Act, 2007 (the Principal Act) on 30 March 2021. The Employment (Amendment) Act, 2021 (the Amendment Act) Act introduces pre-adoptive leave and came into force on 15 April 2021.

Section 29 of the Employment Act has been amended by the Amendment Act through the insertion of Section 29A on pre-adoptive leave.

An employee will now be entitled to one (1) month pre-adoptive leave with full pay where a child is placed in the continuous care and control of the said employee, from the date of placement of the child.

The employee is required to give the employer fourteen (14) days written notice of the intention of the adoptive society to place the child in his or her custody before the child is placed in their care. Such notice to the employer is to be accompanied by documentation evidencing such process, including the custody agreement between the adoptive society and the employee, as well as an exit certificate.

The new law also stipulates that an employee who is entitled to pre-adoptive leave will not forfeit their annual leave entitlement on account of having taken pre-adoptive leave.

Definition of an exit certificate

The Amendment Act has amended Section 2 of the Employment Act by inserting the definition of an "exit certificate".

An exit certificate is defined as a written authority given by a registered adoption society to a prospective adoptive parent to take the child from the custody of the adoptive society.

The exit certificate serves as documentation evidencing the intention of the adoption society to place the child in the prospective adoptive parent's custody.

To view the Employment (Amendment) Act, 2021 follow the link.

Amended Business Laws Act

The Business Laws (Amendment) (No.2) Act of 2021 (the Act) came into force on 30 March 2021. The amendments introduced by the Act are intended to support business activities in Kenya.

The key statutes amended by the Act include the Law of Contract Act, Stamp Duty Act, National Social Security Fund Act (2013), National Hospital Insurance Fund, Industrial Training Act, Companies Act (2015) and the Insolvency Act.

The key changes applicable to employers and employees under these Acts are:

- **National Social Security Fund Act, 2013 (the NSSF Act)**
    - The Act has aligned the remittance dates for the National Hospital Insurance Fund (NHIF) and the National Social Security Fund (NSSF) to the due date for

    - the remittance of Pay As You Earn (PAYE). These statutory deductions are now due by the ninth day of each month.
    - The Act repealed the one-month delay afforded to employers for the remittance of NSSF contributions. Employers are required to remit the contributions on the prescribed late, otherwise a 5% late payment penalty accrues.
- **Industrial training Act (Cap 237)**
  The Act prescribes the period within which businesses that pay the training levy must remit the levy to the National Industrial Training Authority (NITA). They must remit the training levy at the end of the financial year of the business, but not later than the ninth day of the month following the end of the financial year.

To view the Business Laws (Amendment) (No.2) Act of 2021, follow the link.

MAURITIUS

2021/2022 Budget speech and tax changes

Dr The Honourable Renganaden Padayachy, Minister of Finance, Economic Planning and Development, presented the 2021-2022 budget on Friday, 11 June 2021.

Economic highlights

- A 9% growth in GDP is expected in 2021, compared to the 6% forecast by the International Monetary Fund.
- The overall budget deficit is expected to be 5% in the FY 2021/22 and projected to decline to 4% and 3.5% in the FYs 2022/23 and 2023/24, respectively.
- The net debt as a percentage of GDP is expected to decrease from 82.8% in FY 2021/22 to 79.2% in FY 2023/24. Debt management strategy aimed at setting out cost and risk control benchmarks/targets will be adopted to control the level of public debt.
- The main increases in revenue are expected to arise from taxes on goods, services and property.
- Public sector debt is expected to increase over the next three years, driven by an increase in domestic debt levels from MUR 310bn in FY21 to MUR 392bn in FY24. On the other hand, economic output is expected to increase over the coming years, resulting in a fall in debt-to-GDP ratios.

Income tax measures

- No increase in the income exemption threshold for income year 2021-2022.
- Increase in the threshold for the maximum exemption in respect of a child pursuing tertiary education to MUR 225,000, irrespective of the child's place of study and total income of the household.
- Amount contributed by individuals to the Covid-19 Vaccination Programme Fund to be allowed as tax deduction upon submission of income tax return.
- Exemption in respect of donations made to an approved charitable non-governmental organisation or religious body up to an amount of MUR 30,000.
- Exemption of an amount of up to MUR 30,000 in respect of an individual pension scheme.
- Increasing the maximum allowable deduction for medical insurance premiums from:
    - Rs 15,000 to Rs 20,000 for an individual and his or her first dependent; and
    - Rs 10,000 to Rs 15,000 for every other dependent.

- In order for a self-employed individual to benefit from the Self-Employed Assistance Scheme, he or she should be paying the Contribution Sociale Généralisée (CSG) from 1 July 2021.

To read the budget speech, follow the link.

TANZANIA

2021/2022 Budget speech

The Finance Minister, Honourable Mwigulu Lameck Nchemba, delivered his national budget speech on 10 June 2021.

Economic highlights

- Tanzania's real GDP growth declined from 7.0% in 2019 to 4.8% in 2020/21.
- Tanzania's economy is expected to grow by 5.6% in 2021/22.
- A boost in global oil prices, alongside recovery in consumer demand, is expected to see inflation increase to 3.3% in 2021.
- The budget will be mainly financed by:
  - Domestic revenues of TZS 26.0 trillion;
  - Grants from development partners of TZS 2.9 trillion;
  - Domestic loans of TZS 5.0 trillion; and
  - Conditional external commercial loans of TZS 2.4 trillion.
- Government is seeking to raise TZS 36.33 trillion during the year 2021/22, which represents a 3.2% growth from the previous year's budget and a 35.33% growth from the government's expected actual collection for the year 2020/21.

Income tax measures

- The Minister also proposes to introduce deemed pay as you earn (PAYE) of 0.6% of the sale value of minerals as employment income for individuals employed in small-scale mining operations.
- The Vocational Education and Training Authority (VETA) Act is to be amended by:
  - Raising the minimum number of employees (a determinant for paying a skills development levy (SDL)) from four to ten employees;
  - Exempting religious health institutions from paying SDL; and
  - Introducing a 4% SDL payable by individual small-scale miners upon sale of minerals.
- Worker's Compensation Fund (WCF): Reduction of the contribution rate from 1% to 0.6% for the private sector.
- Proposed all statutory contributions to be paid directly from the treasury for all government institutions whose employees are paid through the treasury. The government institutions that pay employees from their own revenue sources will continue to submit their employees' contributions to the relevant social security fund.
- Non-Citizens (Employment Regulations) Act: To enhance voluntary compliance in respect of submission of monthly returns to the Labour Commissioner, the following are proposed:

- Penalty of TZS 500,000 to be imposed for failure to submit monthly returns to the Labour Commissioner for employers with non-citizen employees. The information to be submitted includes employees' details of their salaries; and
- Imposition of a sanction of 12 months' imprisonment or a fine of TZS 10,000,000 or both for employers who fail to submit monthly returns to the Labour Commissioner for non-citizen employees.

- The Minister proposes reducing PAYE rates for the lowest band from 9% to 8%.

Total income	Proposed Rate payable
TZS 0 to TZS 2,040,000	NIL
TZS 2,040,001 to TZS 4,320,000	8% of the amount in excess of TZS 3,240,000
TZS 4,320,001 to TZS 6,480,000	TZS 240,000 plus 20% of the amount in excess of TZS 6,240,000
TZS 6,480,001 to TZS 8,640,000	TZS 816,000 plus 25% of the amount in excess of TZS 9,120,000
Above TZS 8,640,001	TZS 1,536,000 plus 30% of the amount in excess of TZS 12,000,000

To read the budget speech, follow the link.

UGANDA

2021/2022 Budget speech

State minister for planning, Amos Lugoloobi, delivered his budget speech on 10 June 2021.

Highlights

- The Ugandan Economy growth slowed down in the FYs 2019/20 and 2020/21 growing at 3.0% and 3.3% respectively.
- In the FY 2021/22, the economy is expected to grow by 4.3%.
- In the FY 2020/21, annual inflation is expected to end at about 3.3%, up from 3.0% in the FY 2019/20, mainly due to the impact of Covid-19 measures.
- For the FY 2021/22, inflation is expected to remain within the government's target range of 5(+/-3) percentage points.
- The Ugandan shilling strengthened against the US dollar, appreciating by 0.6% to 3,714 in the FY 2019/20. The shilling remained relatively stable in the FY 2020/21, appreciating by 0.6% in the ten months to April 2021.
- Regarding the economic growth strategy for the medium term, the target is to raise growth rates from 4.3% estimated for the FY 2021/22 to at least 7% in the medium term.

Income tax measures

The tax amendments affect the Income Tax Act (Cap 340); Value Added Tax Act (Cap 349); Excise Duty Act 2014; Stamp Duty Act, 2014; the Tax Procedure Code Act, 2014; Mining Act, 2003; The Fish Act, Cap 197 and the Tax Appeals Tribunal Act (Cap. 345)

The amendments will come into effect on 1 July 2021.

- The Value Added Tax Amendment Act imposes an obligation to file a VAT return within fifteen (15) days after the end of three (3) consecutive months for taxable persons.
- The Tax Procedure Code Act provides for a mandatory Taxpayer Identification Number (TIN) requirement. All local regulatory bodies will not issue a licence to operate a business in Uganda to anyone who does not have a TIN, including a TIN issued by a

foreign authority with whom Uganda has a tax treaty or agreement for the exchange of information.

- Tax return amendments: A taxpayer can amend a tax return within three (3) years from when the return was submitted. Currently, the return amendment window is twelve (12) months from the submission date. Where a taxpayer needs to make an amendment to a return outside of the 12-month window, they ordinarily need to request Uganda Revenue Authority (URA) to make the amendment from their end.
- The Income Tax Act amends the definition of an exempt organisation regarding a religious, charitable and educational institution as “a religious, charitable or educational institution whose object is not for profit”. Currently, an exempt organisation is defined to include a religious, charitable or educational institution of a public character.
- No changes to the income tax rates were proposed.

To view the budget speech, follow the link.

Contact our legislation team at info@crs.co.za if you require any additional information.