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Investment income lifts insures half year profits amid high claims.

Increased investment income has helped insurers weather an environment of elevatedclaims to post higher net profitin the six months ended June 2024,Data on the five insurance firms and one reinsurer listed on the Nairobi Securities Exchange show that investment income grew at a faster pace compared to the net insurance service revenue, helping them to post growth in net earnings.The increased returns from investments highlights the benefits insurers are reaping from their decision to cut stakes in equities in favour of government securities. Returns on treasury bills and government bonds have been rising, earning investors more money.

IC Insurance, jubilee, Liberty Kenya, Sanlam, Britam and Kenya Reinsurance all posted growth in profits during the review period, defying the rise in claims that had slowed net revenue from insurance business. For instance, Sanlam's investment income, which is money received from investments

such as government securities, fixed deposits and property, more than quadrupled to $h2.29 billion from $h550 million, lifting the insurer into a $h282.2 million net profit from $h171.9 million loss. This was despite Sanlam's insurance service result —which isnet revenue from the underwriting business--falling 82.4 percent. In the same period, Liberty's investment income more than doubled to Sh2. Sbillion,helping its net profit to nearly triple to $h632 million from $h213 million. This was,despite a 44 percent drop in insurance service result as spending on claims doubled to Sh1.23 billion.Insurers have been reporting elevated claims, especially in property and medical insurance, increasing their spending even as the growth in written premiums has lagged behind. Britam's investment income rose 2.5 times to Sh13.3 billion in the period under review,boosting its net earnings by 22.5 percent to Sh2 billion.The rise in Britam's investment income more than offset a 12.7 percent decline in its netinsurance service result to $h2.13 billion as claims paid out rose faster than premiums received.CIC's insurance service result was up 21-4 percent to Sh l.05 billion as investment return rose 35.5 percent to $h1.79 billion.From holding less than half oftheir investments in government paper in 2014, long-term insurers had pushed this to 82.4 percent by the start of this year compared to an average of $9 percent for general insurers. Data from the Central Bank of Kenya that showed insurance companies accounted for 7.2 percent or $h389.4 billion of Kenya's Sh5.41 trillion domestic debt at the end of August this year.

Top banks cut provisions despite higher loan defaults

Kenya's largest banks reduced their allowance or buffers for expected credit losses, despite the level of loan defaults in the country hitting a near two-decade high of 16.3percent as at June 2024.The slowdown in provisions by most banks helped extend the industry's profitability in the first six months of the year, by limiting the lender's operating costs in the period. The Kenyan operations of listed banks for instance saw a $h564 million reduction in Joan loss provision in the six months ended June 2024 to Sh34 billion. Suppliers now seek Sh21bn for delayed State payments.This was despite the banks' gross non-performing loans (NPLs) rising by Sh64.to ShS45.9 billion. NCBA Bank Kenya marked the largest drop in provisioning costs which nearly halved to sh2.4 billion from $h4.. billion. The bank attributed the reduced costs on expected defaults to major recoveries from its largest clients, with its gross NPLs falling slightly to$h37.4 billion from $h38.3 billion.Bank loans fall by Sh158bn on high interest rates, defaults Standard Chartered Bank Kenya reduced its provisions by $h474 million to Sh15 billion,from Sh2 billion supported largely by a dip in gross NPLs in the period to Sh13.5 billion from $h237 billion in June 2023. Stanbic Bank Kenya and I&M meanwhile cut their provisioning costs by $h200 million each, despite seeing a marginal increase in their gross defaults to Sh24.3 billion and sh28.8 billion respectively, from $h23, billion and $h28.2 billion. The National Bank of Kenya (NBK) also trimmed provisions by Sh91 million, despite a deterioration in asset quality with its gross NPLs hitting $h25.6 billion from $h23.4billion.Equity Bank Kenya, Kenya Commercial Bank (KCB) Kenya, Co-operative Bank of Kenya and Kingdom, DTB and HE Group meanwhile all raised their provisions levels while Absa Bank Kenya held its impairment costs unchanged in the six-months cycle. KCB Bank Kenya increased its provisions to $h9.2 billion from $h7.9 billion, but noted the raised cover was modest given the Group's actions to lift the buffers previously.

CBK mops up Sh32bn more from bonds sale

The Central Bank of Kenya (CBK) has mobilised a further Sh32 billion from the tap sale of two reopened infrastructure bonds in August. This takes the total haul from two auctions of the reopened papers, with tenures of 5.8 and 15.7 years, respectively, in August to Sh120.6 billion. The CBK offered investors a second stab at the longer-dated 17-year bond and saw bids top $h35. billion against a target of Sh15 billion. The CBK has accepted Sh32 billion from the bids with investors locking in the allocated return of 17.7279 percent from the paper. The tap sale was widely expected to meet the target given the bond's attraction to investors based on its tax-free status. February infrastructure bond premium falls in trading. During the paper's earlier sale this month, investor bids were lower at $h29.46 billion an outcome largely attributable to investors' preference for the reopened 6.5-year infrastructure bond, which posed lower duration risks.

The CBK accepted Sh14.53 billion from the paper's earlier sale while taking Sh74.1billion from the shorter-dated infrastructure bond. Combined, the primary auction of the reopened bonds was more than twice subscribed at $h126.3 billion against a target of Sh50 billion to keep up with the performance of previous infrastructure bond auctions. New borrowing from the auctions totals nearly one-third of the Sh413 billion net domestic borrowing. The CBK brought the longer-dated 17-year bond in the secondary sale in its quest to drive uptake of long-term bonds even as it pushes to cool interest rates on government securities.Interest rates on treasuries remain elevated but are expected to ease off in the near term on rate cuts by the CBK and the reduced appetite for credit by the government from the domestic market. Investors in the two reopened infrastructure bonds, for instance, locked in returns of 18.2989 percent for the 6.5-year paper and 17.7279 percent for the 17-year paper,respectively. This compares to yields of 14.399 percent and 17.9327 percent, respectively when the bonds were first issued last year.

Taxpayers face bank account, PIN freezes for unpaid Sh10.58bn amnesty cash

An undisclosed number of persons and companies who applied for tax pardon risk having their bank accounts frozen and tax PINs blocked for failing to honour payments amounting to Sh10.58 billion at the end of the amnesty window in June last year.The President William Ruto administration offered a partial tax amnesty between September 2023 and June 2024 for taxpayers to pay arrears up to December 2022.In return, the Kenya Revenue Authority (KRA) waived accumulated penalties and interest for non-payment of principal taxes for the period. KRA documents show that slightly more than 1.06 million people applied for the partial tax pardon during the 10-month window through June 2024, with principal taxes in arrears amounting to Sh54.50 billion. However, the revenue agency received $h43.93 billion by the end of June, meaning that a fifth (19.41 percent), or Sh10.58 billion of the amount due was not remitted. KRA had warned that taxpayers who applied for the tax amnesty and failed to pay by the end of the window in June 2024 would face enforcement action. Reprieve as tax amnesty deadline pushed to 2025 Section 42 of the Tax Procedures Act empowers the KRA to deactivate PINs, issue travel bans, collect cash due from the taxpayer's banker, and prosecute if the taxman has reasonable grounds that the taxpayer will default. lead expert on tax amnesty in the Domestic Tax Department at KRA, had earlier said the enforcement would be applied if the taxpayers failed to comply with the repayment plan within the 10-month window and could not be reached through. the contacts provided. The danger of enforcement after you default is that usually collect all the money we find so that you stop enjoying the luxury of time of having a payment. Traders on edge as KRA goes for unpaid old taxes Lawmakers had, in a late push, sought to extend the amnesty window by nine monthsto March 31, 2025, through the collapsed Finance Bill 2024.

The National Assembly Finance and National Planning Committee had noted that some small businesses had applied for the programme but had yet to clear the outstanding payment, leaving them exposed by the June 30 deadline. The extension, which has not been enforced, after the Finance Bill 2024 was withdrawn. The KRA had targeted to collect Sh 51 billion from the tax pardon for taxpayers with outstanding principal debts for the period ended December 2022, in return for a write-off of the accrued penalties and interest. President Ruto, who has ordered KRA to "collect every shilling due", has backed the partial relief on unpaid taxes under the amnesty programme to help non-compliant taxpayers come into compliance. This initiative alleviates financial burdens and aligns with our commitment to a fair and inclusive economy. Taxpayers with principal tax debt incurred before January 1,2023, can therefore take advantage of this opportunity," Dr Ruto had said at the beginning of the process. The amnesty programme assists taxpayers facing financial challenges related to unpaid taxes, thus fostering economic growth and inclusivity for all Kenyan citizens.

NSE to open fractional investment in stocks by December 31

The Nairobi Securities Exchange (NSE) now plans to introduce a new trading platforby December 31, 2024 that will allow retail investors to buy a percentage or share of stock instead of paying the full price. Under the new scheme, known as fractional investment, an investor would be allowed to choose several shares of listed companies instead of putting all their money into one company's stock to buy a certain number of whole shares.Currently, one must hold a whole share, with the minimum number of shares to be purchased for any counter in the market being 100 -- a provision that the NSE says has been prohibitive to the growth of the market because it limits access to stocks,especially those with high nominal prices. For example, under the current system, an investor needs a minimum of $h35,400 tobuy high-priced shares in BAT Kenya. This could change under the fractional trading system, where an investor can buy only a portion of BAT Kenya stock. There is an entity that is already several steps down the road. There is a lot of liquidity sitting in our market and cannot come to a lot of counters because of the structuring of our market on issues such as minimum lots and ticket size. The NSE first hinted at the introduction of fractional trading in December 2022. However, the venture failed to take off as the exchange refocused its attention on day trading.

Corporate loan defaults soar as auctions blocked in court duels

Commercial banks are posting a rise in loan defaults trom corporate chents as lengthycourt processes slow down the sale of collateral to cut the stock of bad debts. Top banks, including KCB Group, Equity Group, and NCBA Group, say some cases are taking up to five years to conclude, complicating their push to auction assets to recover their money. The banking sector has not disclosed the amount of non-performing loans (NPLs) stuck with corporates. However, Central Bank of Kenya (CBK) data showed of the $h641.3 billion NPLs as of the end of March 2024, only $h93.3 billion or 14.5 percent related to personal or households, suggesting that companies accounted for a bigger share of defaults. Top defaults were in trade (Sh142.5 billion), manufacturing (Sh124.7 billion), and real estate (Sh117.1 billion), with the three making up 60 percent of the defaults in the banking sector as of the end of March 2024. Bank loans shrink by $h200 billion as interest rates soar.KCB's default rate from corporates closed June 2024 at 32.7 percent from 32.4 percent in.A similar period last year, retaining its spot as the segment with the highest portion of bad loans compared with the group's average of 18.5 percent. One of the biggest challenges with corporates and recovering those NPLs is the long and painful court process. It is not about the value of security, or the viability of the businesses involved.

Investors lower Kenya's credit default risk on faded GenZ protests

International investors have lowered Kenya's risk of default on medium-term debt fading anti-government protests which had raised economic uncertainties, hitting private sector activity.Investors bought the country's Eurobond trading on the London Stock Exchange at levels last seen mid-July, signifying a lower credit risk rating. Investors asked for a return of 9.935 percent on average to buy Kenya's seven-year Eurobond maturing in 2027, the first single-digit rate since July 16 when the rate was 9.917 percent. The yield on Kenya's 10-year sovereign debt maturing in 2028, on the other hand, was about 10.248 percent, the lowest since 10.158 percent on July 15. Unrelenting youth-led demonstrations against International Monetary Fund-backed new tax raises, elevated living costs, bad governance, and corruption prompted President William Ruto to withdraw Finance Bill 2024. Analysts see bigger selloffs if Fitch cuts Kenya credit rating The collapse of the Finance Bill has forced the Treasury to cut tax collections targets by about $h27015 billion to $h2.48 trillion. The Treasury has additionally raised the target for borrowing by Sh172.19 billion to Sh trillion and cut the budget by Sh145 billion in a bid to fill the estimated $h344.3 billion hole left after the tax bill fell.

President Ruto seeks to unlock China loans after five-year freeze

President William Ruto will seek to unlock the five-year freeze of Chinese Joans at a summit of African nations in Beijing as China conditions for its lending to the continent. Dr Ruto embarked on a near week-long visit to the world's second largest economy, where he is expected to hold bilateral talks with his host, President Xi Jinping, ahead of the three-day Forum on China-AMfrica Cooperation (Focac).Kenya will seek assurances on the progress of incomplete Chinese-funded infrastructure projects, notably the extension of the standard gauge railway (SGR) from Naivasha to the border town of Malaba and dualling of a Nairobi by pass. The hunt for Chinese deals comes in a period when the flow of loans from Beijing to Africa has changed significantly, with the giant Asian nation reducing debt and avoiding its earlier pet projects like roads, ports and railways. Kenya spends $h153 billion in a year to repay China loans. Beijing has also grown fretful about Africa's debt vulnerability, which has seen three countries—Ethiopia, Ghana and Zambia—default on their foreign loan payments. Kenya, which has been a key beneficiary of Chinese loans in the continent, last inked a debt deal with Beijing in 2019, says a study by Boston University Global Development Policy Center-- which runs the Chinese Loans to Africa (CLA) Database project. At the time, Export-Import Bank of China committed to provide funding for Konza Data Centre and Smart City Facilities to the tune of $166.7 million (about $h21.67 billion under prevailing conversion rate of Sh130 per dollar) and Kenya Power Transmission Expansion Project ata cost of $83.3 million (Sh10.83 billion). Findings of the CLA Database project suggest Kenya and Ethiopia were among the top five recipients of Chinese loans on the continent that have missed out on new deals iyith Benen post Covi 19 pandemic: This includes $4.61 billion (ShS99.3 billion) in 13 loan commitments to eight African countries, including Nigeria and Egypt in 2023, the first growth in seven years. The sectoral breakdown of 2023 loan commitments suggest Chinese lenders used the pandemic y ears to re-evaluate past lending behaviour and have begun to implement new strategies for risk mitigation, as well as targeted lending that addresses strategic goals more efficiently and effectively CLA Database researchers wrote in a policy brief ahead of this week's meeting in Beijing. The prominence of Chinese lending to African financial institutions in 2023 stands out as unique when compared to previous years' lending. Five loans worth a combined $2.59 billion [about $h336.7 billion}, more than half the total for 2023, were extended to multilateral and nationally owned banks in Africa. Strategy shift.The study, which tracks loans signed between 2000 and 2023, shows that Chinese Joans disbursed through multilateral and national lenders on the continent accounted for 5.29 percent of total funding to Africa up to2022. The tables turned in 2023 when Chinese loans to the financial sector for on-lending made up 56.18 percent of the total funding, signalling the shiftin Beijing's lending strategy. Targeted lending to African financial institutions for purposes of trade finance promotion and on-lending to SMEs represents a risk mitigation strategy that entails outsourcing the 'picking of winners' to African institutions with more in-depth knowledge of African markets, the study states. Africa featured prominently in the initial years of Belt and Road Initiative (BRI), as China sought to recreate the ancient Silk Road and extend its geopolitical and economic.

Review tax Bill to extend the base period for amnesty to December 2023

Akey proposal in the Tax Procedures (Amendment) Bill 2024 is to have the 2023/24 tax amnesty programme extended to June 30, 2025.The proposed extension of the amnesty is indeed a welcome proposal which will give many taxpayers the much-needed window to regularise their books with the Kenya Revenue Authority (KRA) and bolster tax compliance across the country. However, there is need for debate as to whether the extension as proposed in the Tax Procedures (Amendment) Bill 2024 needs rethink to yield optimal outcomes for both the taxpayers from a compliance perspective and the government in its revenue raising agenda. Eligibility for the amnesty programme if extended as proposed in the Tax Procedures (amendment) Bill 2024 will be limited to persons who either have penalties and interest but no principal tax arrears for periods up to December 31, 2022, or to those who had principal tax arrears up to December 31, 2022, but settled the same by June 30,2024.The KRA on August Iissued an important public notice with regard to the migration of Value Added Tax (VAT) and Income Tax ledger balances from the legacy system to iTax. Through this notice, the taxman announced taxpayers had until December 31, 2024, to raise any concerns they may have with their balances migrated to iTax.Prior to iTax, there was the Integrated Tax Management System popularly known as iTMS, which had been in place since 2009.Through iTMS, taxpayers were able to pay taxes directly to the authority's appointed banks via RTGS but still suffered the drawback of semi-automated posting of the tax payments onto respective taxpayers' ledgers.The transition from iTMS to iTax has, however, been far from seamless with the elephant in the room being the migration of balances from the old/legacy system to iTax and the accuracy of the data being captured by the authority which results in demand letters. This is why the balances being migrated to iTax are subject to revalidation by both the taxpayer and KRA subjectto evidence furnished through additional information and it is on this basis that KRA has given taxpayers until December 31st, 2024, to raise any concerns based on the migrated balances. It goes without saying that we are bound to see taxpayers raise Issues with KRA_regarding the migration and clean-up of their ledger balances from the legacy system to iTax. Some of these issues raised will certainly be dated, going backas far as a decade or two, others will be fairly recent, including covering tax matters for 2023. Based on this reality and the inevitability of periodic instances where ledger balances migrated will have errors and/or omissions, it may be worthwhile to consider extending the base period for the amnesty under the Tax Procedures (Amendment) Bill 2024 to December 31, 2023, from the proposed December 31, 2022. Another reason for revising the base period to December 31, 2023, is the manner in which the financial year 2023/24 started and the uncertainty that dominated the enforcement of tax laws in the period between July Ist and December 31st, 2023. Consider the case of the Housing Levy and the uncertainty as to whether board directors should be deemed employees and therefore subjected to the levy in their compensation.In a response to a query from Kenyatta National Hospital dated September 13th, KRA advised that directors are indeed employees and therefore should have the Housing Levy deductions made on their compensation. This position would be overturned by the Attorney General via guidance issue d on September 22nd which leaned on two judgements - Republic vs Commissioner for Domestic Taxes (Large Taxpayers Office) Ex Parte Barclays Bank of Kenya (2015) and Commissioner for Domestic Taxes vs Unga Ltd (2021).

Why allowances remain a sticky issue in bloated public wage bill.

Continued payment of allowances that were long abolished, some that are catered for in the basic salary and the creation of mystery allowances are among major contributors to the burden on Kenya's public wage bill, which is estimated to have hit Sh1.17 trillion year to June 2024.This has been revealed by a new report by the Salaries and Remuneration Commission (SRC), which exposes loopholes that have led to a proliferation of allowances in the public service from 31 in 1999 to 247 by 2019. In the year to June 2023, allowances constituted $h440 billion of the Sh1.1 trillion public wage bill. SRC seeks say in public staff hiring on growing wage bill.In the report capturing salient features of allowances payable in the public service, the SRC reveals that over the years, different government institutions have created new allowances, some of which are unclear, illegal and others simply duplicated,contributing to the growing burden even as public servants remain unproductive.There are differentials in how the allowances are paid, within similar grades and across the grades, in the public sector. Allowances are paid fora similar purpose although the nomenclature varies from one institution to another and the justification and eligibility criteria for some allowances are unclear and/or vary across the publicsector.The report, released last week ahead of the current commissioner's scheduled exit from SRC on September II, also notes that there are inconsistencies in the payment of some allowances, notably leave allowance, which some institutions compute as a percentage of basic salary, while others in absolute figures.

1.2 million Kenyans sign up to unit trusts as assets hit Sh254 billion

Some 1.2 million Kenyans have signed up with unit trusts or collective investment: schemes, lured by bigger returns, pushing the total assets under management by the investment vehicles to $h254 billion in the three months ended June. A unit trust is typically a pool of funds run by a professional manager on behalf of investors.A fund manager may choose to invest in bonds or shares on the stock market, and the fund is splitinto units, which investors purchase—granting them access to mortgages,securities and cash equivalents. Maiden data by the Capital Markets Authority (CMA) on the number of investors enrolled in unit trusts scheme shows that some 1.2 million were signed up in the investment vehicles as of June 2024, up from 172,000 in March 2021, marking a 605 percent leap -- indicating the rising popularity of the asset class among Kenyans in recent years.

The number of investors in the various collective investment funds (CISs) has continued to grow steadily over time, reporting a growth rate of 605 percent between March 2021 to grow from 172,000 to 1.2 million in June 2024," said CMA. The unit trusts' popularity is attributable to a variety of factors including enhanced returns for investors amid high interest rates from government securities and bank fixed deposits where the schemes primarily invest. They have become popular among retail investors because of enhanced returns, low entry requirements, and ease of accessing funds.Unit trust assets grow by Sh8.4bn in three months on good returns.Unit trusts have also leveraged technology to ease on boarding of individual investors including round-the-clock availability of customer support. CMA data shows that securities issued by the government have remained the leading destination for portfolio investments by the trusts, representing Sh39.2 percent of assets under management or Sh107.6 billion ahead of fixed deposits and cash and demand deposits at 33.4 and 13.9 percent respectively.Returns from both government securities and bank fixed deposits have soared in the first half of 2024 anchored largely on the increase in benchmark lending rates by theCentral Bank of Kenya.

Parliament has accused the Treasury of sabotaging key development projects that were earmarked to spur economic growth in the year to June 2024. The accusations follow revelations by the Treasury that $h218.5 billion was not released to ministries, departments, and agencies due to a shortfall in revenue collection and financing.The cash includes Sh10.4 billion in development spending that was to be transferred to five State departments that are key to industrial growth.The Committee on Trade, Industry, and Cooperatives questioned three top Treasury officials over failure to release money meant for developmentin the financial year 2023-24.

CBK Seeks Sh 30bn from reopened September bonds Sale.

The Central Bank of Kenya (CBK) is seeking to raise $h30 billion from two re-opened bonds -a 10 and 20-year paper— whose sale started Wednesday until September 18. The 10-year paper has a coupon — interest rate set in the first auction—of 16 percent but investors will be free to quote higher rates in the current sale. The bond was first sold in March this year and has 9.5 years left to maturity.The 20-year paper has a coupon of 1é percent that was set in the initial September 2016 auction. The bond has 12 years to maturity. Recent auction of long-term bonds has seen rates swing between 16 percent and 18.4percent, a substantial increase that started building from last year as the CBK took action to support the shilling and slow inflation.The monetary authority increased its benchmark rate successively, sending the signal for higher rates across various assets including bank loans and government debt securities.The high interest rates have resulted in lower inflation by making it costlier to take debt for investment and consumption, with banks reporting a fall in loans to customers.The CBK action has also helped the local currency to gain ground against world majors by attracting foreign investment in government securities and slowing down imports.CBK mops up Sh32bn more from bonds sale.The CBK, which is the government's fiscal agent, had previously avoided issuing long-term bonds to save the Treasury from the burden of incurring high debt service costs. however, returned to selling the long-term securities at the beginning of this year amid increased pressure to raise cash from the domestic market to finance the budget.The stock of government bonds outstanding, for instance, has risen steadily to reach sh4.72 trillion as of August 28 from Sh4.27 trillion at the end of last year, amounting to an increase of $h458 billion. Government securities, whose returns have traditionally beaten other fixed income instruments including bank deposits and corporate bonds, have become even more attractive in the current high-interest rate environment.

Foreigners slow down NSE Exits a head of US rate cut

Offshore investors have significantly slowed down their exit from the Nairobi Security (NSE), selling off a narrower Sh1.6 million worth of shares in August. The reduced foreigners' selloff last month contrasts with wider sales of $h531 million in July at the height of countrywide protests against new taxation measures in the shelved Finance Bill 2024 and subsequent credit rating downgrades on Kenya. Analysts have attributed the reduced exits to the pricing of interest rate cuts in the US which is expected to spur investments in frontier and emerging economies such as Kenya.

The very fact that have seen a decline in sellof is shows that investors are pricing in expectations for interest rate cuts in the US which would reduce the opportunity cost from betting against assets in advanced economies," Standard Investment Bank Senior Research Associate stated. The US Federal Reserve is expected to commence interest rate cuts this month supported by a temperance in inflation. Lower interest rates in advanced economies usually prompt foreign investors to favour investing in the rest of the world which presents enhanced returns in comparison to home markets. The entry and exit for foreigners at the local bourse are usually critical to the direction of market performance based on their high level of participation.The average foreign investor participation in the second quarter (April-June 2024) was 57.29 percent, albeit lower than arate of 60.31 percent in the first quarter. Foreigners have been net buyers of NSE stocks on a year-to-date basis with a buy position of Sh112 million as at the end of August following three consecutive months of entry between April and June. Foreigners' NSE net sales hit Sh1 billion in February The net buying position across the first eight months of the year has been anchored on the improved availability of foreign exchange which has allowed the foreigners freedom to enter or exit the market along with a better performance of the bourse. Interest rate cuts by the US and other advanced economies are expected to incentivize further buying by foreign investors going to the end of 2024.Such an outcome would be welcome for a market that has seen foreign exits in the last four consecutive years from a combination of shocks including the pandemic in 2020 and most recently, the elevation of interest rates in advanced economies. Should see increased interest from foreign investors going forward or an even greater reduction in sell-offs once the US cuts interest rates.The high turnover by foreign investors has largely defined the direction of the NSE despite them holding a lesser quantity of listed stocks in contrast to local institutional and individual investors. While the latter groups may hold more stocks, limited activity- buying and selling reduces their influence on share price movements. Interest rate cuts by the US and other advanced economies are expected to incentivise further buying by foreign investors going to the end of 2024. Such an outcome would be welcome for a market that has seen foreign exits in the last four consecutive years from a combination of shocks, including the pandemicin 2020 and, more recently, the rise of interest rates in advanced economies.

M-Pesa Foundation loses bid to block Sh6.5m tax claim on workers' pay.

M-Pesa Foundation Charitable Trust has lost a bid to block the Kenya Revenue Authority's (KRA) claim for $h6.48 million in withheld tax on staff cost reimbursements payable to Safaricom.The Tax Appeals Tribunal said the claim by KRA against the foundation was justified because itis equivalent to income for Safaricom which seconded staffers to the charity organisation supported by M-Pesa.The payment was made as consideration for a service which was the supply of employees on secondment. The view of the tribunal is that the payment was correctly treated as an income to Safaricom since it was a payment made in exchange for Safaricom providing a service. Withholding tax was therefore deductible on the payment. The M-Pesa Foundation moved to the tribunal alter KRA levied withholding tax on payments made to staff seconded to it by Safaricom.The foundation argued that these payments were reimbursements for payroll costs and should notbe subject to withholding tax. KRA told the tribunal that the payments made by the M-Pesa Foundation to Safaricom were for professional and management services provided by the seconded employees, making them subject to withholding tax under the Income Tax Act. The tax authority emphasised that the employees remained under the employment of Safaricom, thereby constituting a service arrangement between the two entities. According to KRA, the payments were inclusive of VAT, further reinforcing their claim that Safaricom was providing a taxable service. House team rejects taxman's bid to spy on M-Pesa deals, bank accounts.They also noted that the Income Tax Act defines management or professional fees as any payment made to a person other than an employee by their employer, which covered the payments in question.For its part, the M-Pesa Foundation contended that both Safaricom and the Foundation jointly employed the seconded employees and that the payments made were simple payroll reimbursements, not fees for services rendered.The Foundation also presented evidence showing that no markup was applied to these reimbursements, which included salaries, National Social Security Fund, and pay-as-you-earn contributions, and claimed that Safaricom did not earn any income from these transactions.M-Pesa Foundation said that itis common practice for seconded employees to maintain their employment contracts with their primary employer.It added that the relationship between it and Safaricom is not one of service provider and service recipient respectively, but that of joint employers of the seconded staff. The tribunal determined that the payments made by the Foundation to Safaricom constituted management and professional fees as defined under the Income Tax Act.The tribunal further concluded that the nature of the secondment arrangement did not alter the fact that services were being provided and therefore the payments were subject co withholding tax. The tribunal observed that the agreement between Safaricom and M-Pesa Foundation involved the reimbursement of costs and the secondment of employees. It was a contractual arrangement where the payment made to Safaricom for seconding its employees was reimbursement of costs the telecom had already incurred. The tribunal having found that the re-charge costs were consideration for supply and that the consideration is construed to be management and professional fees finds that the Respondent did not err and that the taxes demanded are due and payable

Centum raises stock repurchase price to Sh9.5, extends offer

Centum Investment Company has raised the price at which it is buying back a portion: of its issued shares to Sh9.51 from the previous Sh9.03 after announcing an extension of the offer to March 31, 2026.The company first ran the buyback programme between February 6, 2023 and August 2, 2024, targeting 66.54 million shares which represented 10 percent of its 665.44 million issued shares. By the close of the period, it had acquired 9.85 million shares, representing a performance rate of 14.8 percent for the buyback plan, hence the company's decision to extend the purchase period and also offer potential sellers the sweetener of a 5.3 percent premium on the earlier buying price. Centum said in a circular to shareholders dated September 5, that it is now seeking to buy 10 percent of the remaining 655.6 million shares. Centum to sell additional 19pc stake in Sidian Bank.

The company will seek a nod from shareholders to roll out the extension during its Annual General Meeting on September 30, with the purchase set to begin on October 1,2024. It has already received the approval of the Capital Markets Authority (CMA) for the extended buyback. The board recommends that the maximum price of the purchase shall be Sh9.51, being 10 percent above the weighted average price of Sh8.64 in the 30 days prior to the buyback reference date said Centum in the circular. The company has been exempted from the limit under the guidelines to purchase no more than 25 percent of the average daily trading volume for the four calendar weeks preceding the date of purchase.The minimum purchase price of the shares remains $ho.50, which is also the stock's nominal value. During the initial phase of the buyback, the Centum share traded in a range of Sh7.88 and Sh9.50, averaging about $h8.73 per unit over the period. Centum's stock was trading at $h8.30 at the Nairobi Securities Exchange (NSE) offering investors buying at that price an opportunity for capital gains if they later sold the company the shares. Centum went the share repurchase route after deeming its shares to be undervalued at the NSE for years in relation to its net assets.share buybacks have the effect of reducing the volume of outstanding stock, potentially boosting the market valuation besides increasing the stakes of continuing shareholders.

EAC Partner states now seek to join Kenya UK Trade

Other East African community (EAC) partner states have formally stated process of joining the Economic Partnership Agreement (EPA)between Kenya and united Kingdom.Trade Principal Secretary Alfred K'Ombudo said on Tuesday that if successful, this will enable the EAC countries to harmonise their tariffs on goods from the UK. The EAC has already opened through a decision of the Sectoral Council for Trade, Investments, Finance and Industry an instruction to the Secretary-General to begin an exploration on talks for the establishment of an EAC-wide Economic Partnership Agreement with the UK. The UK-Kenya EPA is open for other EAC member states to join anytime, Article 143 of the trade agreement allows any EAC country that wishes to join the deal to submit a request for accession to the UK-Kenya EPA Council. The Council would review the impacts of accession and may decide on amending measures that may be required. According to the PS, the EAC countries now want to join the trade deal as a bloc. Once this conversation takes off and thatis concluded then it will harmonise the tariffs in respect of Kenya and the rest of the EAC. The UK-Kenya EPA took effect in March 2021 and facilitates duty-free and quota-free access of Kenyan goods to the UK market following its exit from the European Union. Kenya is a major exporter of fresh produce such as tea, cut flowers, fresh vegetables, and fresh fruits to the UK.

MPS accuse Treasury of Sabotage over Withheld Sh 219 bn for projects.

Parliament has accused the Treasury of sabotaging key development projects that were earmarked to spur economic growth in the year to June 2024. The accusations follow revelations by the Treasury that Sh218. 5 billion was not released to ministries, departments, and agencies due to a shortfall in revenue collection and financing. The cash includes Sh10.4 billion in development spending that was to be transferred to five State departments that are key to industrial growth.The Committee on Trade, Industry, and Cooperatives questioned three top Treasury officials over failure to release money meant for developmenti in the financial year 2023-24.Treasury budget cuts, delayed payments derail road projects director-general, accounting services, director of the budget and director of planning-macro and fiscal affairs, were hard-pressed to explain why the Treasury did not disburse funds to the State Department for Investment Promotion, the State Department for Industry, the State Department for'Trade, State Department for Cooperatives, and the State Department for Micro, Small and Medium Enterprises. Our big concem is that the National Treasury has decided to kill industrialisation and manufacturing. You have decided to starve the coffee sector and County Aggregation Industrial Parks. The committee accused the Treasury of sabotaging President William Ruto by failing to release Sh3 billion for the construction of six Export Promotion Zones (EPZs) flagship projects, with each having an allocation of $hSoo million in the last financial year'sbudget. The six flagship EPZ projects that President Ruto directed to be constructed havereceived $h300 million. The committee said the Treasury failed to release Sh3.5 billion for the Coffee Cherry Fund despite Parliament having allocated Sh4 billion in the 2023-24 budget.

80pc of firms snub KRA's eTIMS in first year of rollout

More than three-quarters of registered companies have snubbed the Kenya Revenue Authority (KRA)'s electronic tax invoice management system (eTIMS), dealing a blow to efforts to drive compliance and curb tax evasion. Only 120,000 registered taxpayers with business income signed up to eTIMs in the year to June, representing 18.1 percent of about 663,000 firms in taxman's books, according to an internal document seen by the Business Daily. This means an estimated 543,000,or 81.9 percent, of firms in the KRA register did not subscribe to eTIMs.The system, which requires businesses to file receipts or invoice with the KRA as proof of expenses, is aimed at widening the tax base as big companies report to the authority small firms that act as their suppliers. It also helps curb the practice where big firms inflate their sales and narrow prolits in the push to pay lower taxes. Lawmakers amended Section 16 of the Income Tax Act through the Finance Act 2023 that required businesses from January to produce electronic receipts to deduct operating costs such as wages to employees, utilities, supplies, travel, marketing and advertising expenses.Traders on edge as KRA goes for unpaid old taxes Following an outcry from businesses, the registration deadline was extended to March, meaning all businesses were to onboard eTIMs from April l whether they are registered for value added tax obligations or not. This has allowed the taxman to monitor business transactions on a near real-time basis,enabling it to flag discrepancies in income tax returns filed by firms.Tax consultants largely attribute the low uptake of eTIMS for business expenses to the majority of smaller firms "lacking the technical infrastructure or understanding to comply swiftly. KPMG, said the slow start could be linked to inadequate training and support offered to small businesses, which form the majority of companies in the country. this may be attributed to a lack of awareness, technical difficulties, or resistance from businesses due to the perceived complexity of the new system.This performance could also be viewed as a natural outcome of a phased rollout where early adopters, usually larger or more compliant businesses, sign up first, while smaller or more reluctant businesses follow later. Tax invoices generated from eTIMs have the PIN of registered user, the time and date of issuance.

Listed firms to share financial calendar under New CMA rules

Companies listed on the Nairobi Securities Exchange will now be required to develop and submit to the regulator a forward-looking calendar of corporate announcements,including release of financial statements and dividend payment dates.The Capital Markets Authority (CMA) and NSE have issued a joint circular to all listed firms asking them to start preparing and submitting forward-looking event calendars as part of the initiative to enhance transparency and improve communication between the companies and investors. All issuers are now required to develop and submit a forward-looking calendar of corporate announcements. This calendar should detail all upcoming corporate events, along with their tentative dates," reads the circular, co-signed by CMA and NSE chief executive. The aim is to provide investors with a clearer view of forthcoming corporate actions, enabling them to make more informed decisions and contributing to greater market predictability and stability. CMA fines auditor, company directors over for breach of trading rules.The two have directed all the listed firms to submit their calendars for the remainder of this year by September 16, and the calendar for 2025 by January 10. The NSE and CMA say that while they recognise that circumstances may necessitate changes to these dates or event details, companies will be expected to promptly update them with the revised information so that the market remains informed with the most current and up-to-date information. Additionally, strongly encourage companies to make this calendar publicly available through their websites and other communication channels as well added the circular. The changes mean that current and prospective shareholders will be kept informed on all the crucial dates of the listed firms, presenting them with an opportunity to make informed decisions. However, by CMA and NSE not making it mandatory for the firms to publish this on their websites, shareholders may still miss out crucial scheduled dates such as resultsannouncements —many of which impact share price movements. The NSE introduced day trading on November 22, 2022, allowing investors to buy and sell shares in any company within a single trading day.

Treasury bill rates decline for six consecutive weeks.

Interest rates on Treasury bills have fallen tor six consecutive weeks as Investors solften their demand for enhanced returns at the weekly auctions, amid an improved economic environment including low inflation. Data from the Central Bank of Kenya (CBK) shows the interest rates on the shorter-dated securities --the 91-day, 182 day and 364-day papers-- have fallen since the start of August. Interest rate on the 91-day paper fell to 15.7677 percent from 15.7844 percent previously, while the return on the 182-day paper fell to 16.6255 percent from 16.6327 percent in the same period Returns on the 564-day paper meanwhile stand at 16.6226 percent Irom 16.8421 perce previously. Analysts at the AIB-AXYs Africa stock brokerage state that the CBK has made active attempts to drive interest rates lower, as the conditions in the macro-economic environment improve. Falling lending rates raise hope for cheaper loans.This is attributable to the CBK's resolve to nudge interest rates lower amid an easing risk landscape the analysts stated in a research note. Inflation has cooled significantly to fall below the government's midpoint target of percent though it increased slightly in August to 4.4 percent from 4.3 percentiin July. High inflation and a weak shilling had seen the CBK raise its benchmark rate successively, helping to reverse the negative macroeconomic trend by slowing down imports, attracting foreign investment in government debt and making it costlier to take loans for consumption or investment. The Central Bank Rate (CBR), which had reached a high of Sh13 percent, was lowered 12.75 percent last month as monetary authority's action paid off. Expected interest rat cuts in advanced economies including the United States are expected to provide the BK with further impetus to ease domestic interest rates.Other interest rates have also begun peaking with the average commercial bank lendi rate for instance falling in July to 16.84 percent from 16.85 percent in August, the first drop in 21 months since October 2022. Banks, stock brokers hit as CBK stops commission on bonds trade Falling loan costs are expected to support higher disbursements by commercial banks while helping reduce the accumulation of non-performing loans for the industry. Private sector credit growth had slumped to just four percent in June, signaling the impact of high interest rates in softening the demand for loans and the tightening of disbursements by banks. Externally, yields on Kenya's Eurobond papers have declined to oscillate in the single-digit territory, another indicator in the stability of interest rates after upheaval in the last 12 months.The August infrastructure bond (IFB) auction further signaled the gradual decline in interest rates as the return on the re-opened 6.5-year paper for instance, fell below the return on February's 8.5 year IFB at 18.2989 percent compared to the latter's 18.4607 percent.

Suppliers No seek Sh 21bn for delayed state payments

Contractors and suppliers to the government have started slapping agencies, holding huge pending bills with penalties, which is likely to present a new headache for the government. The latest Controller of Budget (CoB) report shows that during the year, the suppliers slapped 13 agencies with penalties and interest totalling $h21.5 billion in the fiscal year ending June 2024,Close to three-quarters of the penalties have been charged to four agencies in the road and transport sector, where projects valued at billions of shillings have stalled due to budget cuts, the CoB report shows. With penalties totalling 9.7billion, the Kenya Rural Roads Authority (KeRRA) has the heaviest burden, followed by the Kenya National Highways Authority (KeNHA), which has penalties and interest on pending bills totalling Sh4.9 billion. In contrast, the Nairobi Metropolitan Area Transport Authority has $h754.5 million. Payments squeeze as new levy for State contractors kicks in.The Kenya Urban Roads Authority (Kura) had penalties totalling $h369 million by the end of June. The total national government pending bills as of June 30, 2024, amounted to ShS16.27 billion, compared to $h622.82 billion reported as of June 30, 2023 said Controller of Budget.The report notes that state corporations bore the heavier side of the burden with pending bills totalling $h379.8 billion, which explains the reason why they are the casualties of the penalties and interest. Other agencies slapped with heavy penalties and interests include the National Oil, Corporation of Kenya (Sh3.59 billion), Kenya Power (Sh9818 million), and the Pyrethrum Processing Company of Kenya ($h778 million).Interms of stock of principal pending bills, KeNHA had the highest debts at Sh86 billion, followed by KeRRA (ShS6 billion) and Kenya Power (Sh15 billion). During the year, bills owed by ministries, departments and agencies were reduced by Sh42 billion to hit Sh136 billion by the end of June 2024. The highest percentage of the State corporations' pending bills ($h235 billion as of June 30, 2024) was for contractors/projects at 62 percent, followed by pension arrears at 13 percent the report notes. In March, the CoB approved the withdrawal of $h3 billion for settlement of pending bills after the Treasury requested to spend Sh10.9 billion.

Treasury CS John Mbadi sets conditions for lower VAT, corporate tax

Kenyans will have to wait for revenue collection to improve and the reduction in the public debt burden before they can enjoy lower tax rates proposed by the Cabinet Secretary for National Treasury John Mbadi. Revealed that the government plans to reduce the value added tax (VAT) on goods and services to 14 percent from 16 percent, a major relief for businesses and households hit by the high cost of living. He added that in the medium-term Kenya would reduce corporate tax to 25 percent.The tax cuts, however, are hinged on increased collections by the Kenya Revenue Authority (KRA) and easing of the debt burden, which stands at above the optimum level recommended by the World Bank and the International Monetary Fund (IMF),after years of borrowing driven by infrastructure development. President William Ruto scrapped tax increases worth more than $h346 billion in June after protests that killed more than 50 people forced the government to withdraw the Finance Bill.The move left the heavily indebted government with a wider budget deficit for this financial year, mounting pending bills and a delay in funding from the IMF.That (the cuts) are medium projections..like three years and can only happen once done with our fiscal consolidation," said Mr Mbadi in a text message.Fiscal consolidation refers to the policies undertaken by governments to reduce their budget deficits and the accumulation of debt, which is consuming more than half of taxes annually in service costs.We will only implement the cuts after we are successful in improving tax collection efficiency," he said about sealing revenue leaks, widening the tax base and lowering of tax refunds and exemptions. A reduction in VAT rates would bring down the cost of electricity, fuel, alcohol, airtime,air tickets, and fertilisers.The government collected $h645.49 billion from VAT in the financial year ending June this year, an increase of 17.3 percent from $h550.43 billion collected in the previous period.VAT collections exceed target by Sh6 billionMr Mbadi also announced plans to cut corporate income tax, an incentive for businesses that want to set up in the country.

Treasury repays Sh45bn CBK emergency loans, dues dip to 20-month low

The National Treasury has replenished the $h45.1 billion it had tapped from the Central Bank of Kenya (CBK) during a cash crunch in July, cutting outstanding overdrafts to the lowest levels in nearly 20 months. Latest data shows the debts due to the CBK through the emergency loan facility dipped by nearly half (49.1 percent) to $h46,7 billion, from a recent peak of $h918 billion in late july. The overdraft facility largely helps the Treasury to finance short-term needs when it faces a cash shortage, including urgent payment requirements such as salaries and other priority recurrent expenditures like debt repayments. The falling overdraft balance at CBK shows easing cash flow pressure after tax receipts in July grew at the most sluggish pace, in atleast a decade amidst huge debt payments to local bondholders and foreign creditors such as the Export-Import Bank of China.A paltry 2.87 percent year-on-year growth in tax collections to Sh159.5l billion in July after a plan to raise new and higher revenues collapsed, prompted the Treasury to turn to CBK loans to partly meet $h96,67 billion in debt repayments. The cash flow challenges appeared to be easing with the overdraft balance mid-, touching levels last seen on January 20, 2023, when it stood at $h34.32 billion. Fading anti-government protests, which had shaken the President William Ruto's administration in June and July, helped lift sales for the first time in three months in August, increasing cash circulation in the economy. Cost pressures across the private sector intensified in August due to rises in import fees and tax burdens, according to survey respondents," analysts at Stanbic Bank and American analytics firm, S&P Global.

The Treasury is still using the $97.05 billion limit for the last financial year ended June 2024 pending a fresh audit of the government accounts. This means the Treasury still has room to access $h50.4 billion from the facility compared to Sh5.25 billion on July 24. Tapping of the emergency funds currently attracts an annual interest of 12.75 percent —an equivalent of the Central Bank Rate. Treasury taps Sh22bn emergency loan from CBK Some economists, however, warn against excessive use of the overdraft facility, arguing that it's amount to printing money —with the attendant risks of creating inflationary pressures.

Over half of Hustler Fund borrowers default, bad loans hit Sh11bn.

More than half of the borrowers under the Financial Inclusion Fund or Hustler Fund have defaulted on repayments totalling Sh1 billion, while the non-performing loans (NPLs) ratio hits 21 percent. According to the State Department for Micro, Small, and Medium Enterprises (MSMEs), about 24 million customers have accessed loans from the fund, while only about two million Kenyans have achieved a high credit rating by making timely and full repayments. A further eight million people have regularly accessed cash from the fund, which has now been in existence for 18 months.This leaves an estimated 14 million Kenyans or 58.33 percent, who are classified as defaulters under the facility, which has so far disbursed $h57 billion worth of loans. Only Sh46 billion of this amount has been repaid, leaving 511 billion bad debt. We have been able to disburse close to Sh57 billion and repayments stand at Sh46 billion. The repayment rate is about 79 percent and have a non-performing loans ratio of about 21 percent. The high NPL ratio is from the group that borrowed once in the first and second months of the programme and decided to disappear. Unfortunately, they are trace able.Defaulters crackdown Earlier this month, new Cooperatives and MSMEs Cabinet Secretary warned that the government would initiate a crackdown on defaulters using personal identification numbers (PINs) or identity card numbers to track them down. The government hopes to re-integrate two million Hustler Fund borrowers to the mainstream credit market and have them borrow from commercial banks.The Hustler Fund has been viewed by the government as a rehabilitation programme that will enable Kenyans previously excluded from borrowing from mainstream financial institutions due to the listing of adverse credit information with credit reference bureaus (CRBs) to rehabilitate themselves.

KRA unlocks Sh3.87bn after netting 10,425 new landlords

A new bill is seeking to establish a new professional body that will be responsible for training, registering and licensing of bankers. The bill by Kesses Member of Parliament Julius Rutto dubbed the Institute of Bankers Bill, 2024 seeks to create a new entity dedicated to the regulation training and certification of bankers. The proposed entity will be called Institute of Bankers. It will co-exist alongside the Kenya Bankers Association (KBA) which serves as the umbrella organisation for commercial banks and the Kenya Institute of Bankers (KIB) which offers various certifications for the industry.

1.5 Idle NSE Accounts frozen as IPO drought bites

About 97.5 percent or 1.5 million accounts used for share trading at the Nairobi Securities Exchange (NSE) have been frozen after remaining inactive for over two years, revealing the apathy among retail investors who entered the market during the 2000s initial public offering (IPO) boom. Only 38,594 of the 1,555,073 share accounts of the Central Depository and Settlement Corporation (CDSC) have participated in trading over the two years, representing a 2.48 percent share,Reduced participation of retail investors is the product of the high-level speculation that dominates their investment decisions.This has seen investors stay away from trading in a market that has failed to attract fresh listings and is plagued by a pronged bear run where falling prices have discouraged speculators.The CDSC has from 2019 frozen accounts that have been inactive for over two years,barring them from trading or receiving dividends unless the owners apply for reactivation. Placing calls to dormant accounts and have established that most people are not aware that they have a trading account. These are accounts opened a Jong time ago during the IPOs. Investor knowledge is also not as wide and many do not know the performance of the stocks they are holding. A majority of the dormant accounts came into the market through the heavily oversubscribed KenGen and Safaricom IPOs of 2006 and 2008 respectively, which introduced to the Nairobi bourse over one million new investors.The NSE has in the past decade been bit by an IPO drought, with the last public offer being Stanlib Fahari real estate investment trust in October 2015. Homeboyz.Entertainment Plc came to the market through introduction in December 2020.The NSE market capitalisation closed at a decade-low of Sh1.439 trillion at the end of 2023, with the NSE-20 share index at 1,501.16 points, The index in 2014 hit an all-time high of 5,112.65 points when the market capitalisation stood at $h2.3 willion. Foreign investor outflows have also added to the market slowdown as selloffs surpassed buys over the past seven consecutive years since 2017.Brokers' survival hangs by a thread as NSE suffers listing drought. Foreign investors have a big influence on the performance of the NSE given local high-net worth investors buy with a long-term view, leaving overseas dealers to dominate daily trading. The NSE has witnessed a shift this year, with inflows from foreigners exceeding outflows, partly triggering a recovery in the market. Market capitalisation rose to Sh1.652 trillion from Sh.439 trillion at the startof the year. Kenya Association of Stock Brokers and Investment Banks (KASIB) executive officer linked the apathy among retail investors to the IPO drought. Local investors actively participate in new issuances like IPOs and therefore the drought of new entities coming to list in the primary market has resulted in depressed activity by the investors.Secondly, many local investors prefer to buy and hold for the long term so as to benefit from dividend payments and also the capital gain appreciation.

Treasury fears losing Sh214bn if Finance Act, 2023 falls

The Treasury has pleaded with the Supreme Court to overturn a decision of the Court of Appeal quashing the Finance Act, 2023, arguing that the government will lose Sh214 billion if the judgment is upheld. Appearing before the apex court,Treasury Cabinet Secretary John Mbadi, through senior counsel said the appellate court's decision declaring the Act as unconstitutional will derail the government's economic agenda and erase benefits to the public. Added that the Act was enacted to streamline tax policies and the fiscal consolidation framework—which seeks to boost revenue collection, narrow the budget deficit and cut the appetite for debt. The law was challenged in court following a round of street protests that turned violent, after the government used it to double the value added tax on fuel, introduce a housing tax, and raise the top personal income tax rate, among other measures.

Mbadi sets conditions for lower VAT, corporate tax. Its nullification by appellate court inflicted a new blow to the government of President William Ruto who withdrew this year's Finance Bill after deadly protests that killed over 50 people. This withdrawal of Finance Bill 2024 forced the government to discard taxes worth more than $h346 billion. At the Supreme Court, the National Assembly through lawyer Issa Mansur has backed the Treasury on the Finance Act 2023, adding that Parliament conducted adequate public participation and incorporated the citizens' input. The Finance Bill, 2023 was published in the Kenya Gazette… on 28th April 2023 and tabled in the National Assembly for the first reading and committal to the relevant committee on 4th May 2023, after which the National Assembly sent out notices through print media calling for memoranda. Members of the public and stakeholder were accorded sufficient opportunities to present their views during public hearing Mr Mansur said the National Assembly received approximately 161 structured submissions, over 300 general email submissions and more views during the public hearings at the Kenyatta International Convention Centre (KIC), Nairobi where over 800 participants showed up. All the submissions received were diligently reviewed and deliberated on by the Finance and National Planning Committee, informing most of the amendments that were adopted into the Finance Act, 2023 Mbadi to reinstate parts of Finance Bill 2024.The lawyer said the court failed to appreciate that the amendments were introduced in accordance with the parliamentary Standing Orders, informed by submissions from public participation and considered by the House. By requiring every amendment introduced post public participation to undergo a full formal process as if it were a new Bill, the judgment of the Court of Appeal creates unreasonable and in respect of the Finance Bill, impractical procedural bottlenecks especially considering the timelines. The court's verdict was in respect of an appeal of another one from theHigh Court late Last year, which largely left the Finance Bill intact, only striking out the housing levy. The government pushed through a new law to allow it to continue collecting the housing tax after that ruling and that law is also being challenged in court. I t has been relying on the 2023 finance law to continue collecting taxes after Dr Ruto withdrew this year's Bill.

Defaults NSSF, NHIF by state firms triple to Sh 716 M

State corporations, government owned enterprises and semi-autonomous agencies' unremitted deductions to the NSSF and NHIF more than tripled to $h716 million in the fiscal year ended June from $h215 million a year earlier. The rise in the deductions that failed to reach the National Social Security Fund (NSSF), and the National Hospital Insurance Fund (NHIF) signals the plight of public sector workers as well as the funding gap of the State-backed institutions mandated to fund retirement and healthcare. The build-up of unremitted deductions to the NSSF for instance risks lowering pension payouts to workers of the State agencies upon retirement while undisbursed funds to the NHIF have crippled the fund's ability to meet hospital claims. Pending bills on unremitted cuts to the rose the fastest with arrears to the NSSF soaring by 251 percent to Sh640.9 million from Sh182.5 million last year. Arrears to the NHIF, meanwhile, rose by 126 percent to reach $h76.4 million from $h33.8million in June 2023 according to data from the controller of budget (COB). Unremitted staff loan deductions, on the other hand, rose by 29.4 percent in the same period to $h2.2 billion from Sh1.7 billion. State agencies, however, marked an improvement in other pending bills relating to their workforce including unremitted pay as you earn (PAYE) tax deductions, unremitted sacco dues and pension arrears. Unpaid pension and PAYE by State entities hit sh73bn PAYE arrears have dropped to Sh19 billion from $h20.billion last year, pension arrears have fallen to $h33 billion from $h46.8 billion while unremitted staff loan deductions are unchanged at $h2.5 billion. The rise in pending bills relating to NSSF, NHIF and staff loan deductions stands against government policy on clearance of outstanding arrears amid ongoing audit to verify pending national government bills. The national government policy on clearance of pending bills continues to be in force. The National Treasury is currently developing a comprehensive strategy to clear outstanding stock of verified pending bills of the national government over the medium term, the National Treasury notes. In this strategy, deficiencies and lapses that led to the accumulation of pending bills will be addressed, In the 2024/25 financial year, all ministries and State departments are expected to clear all the expenditure carryovers from the 2023/24 financial year as a first charge before payment of commitments in the current financial year. The sharp rise in unremitted deductions to the NSSF and NHIF is expected to increase the corporations' long outstanding receivables. The NSSF revealed $h26.8 billion in contributions receivable for the financial year ended in June 2023. NSSF nets additional Sh10 billion on higher member contributions. An audit of the parastatal's books uncovered a further Sh9.5 billion in long outstanding contributions receivable including Sh1.9 billion in mandatory contributions and $h7.6 billion in accrued penalties which had not been included in NSSF's statement of net assets in the period. Employers failing to remit deductions to the NSSF are liable to a penalty of five percent of the unremitted contributions or $h20,000, whichever higher. The government is however yet to make disclosures on implementation of sanctions relating to pending bills. The build-up of pending bills accruing to the NHIF comes amid the expected transition of the fund to the Social Health Authority (SHA) with civil servants currently registering to join the new fund by next month. In the year to June 2023, the NHIF sunk into deficit as more members defaulted on monthly premium contributions. The fund had targeted to collect Sh5 billion but only raised Sh82.1 billion as claims paid shot to $h74.2 billion from Sh68.66 billion previously.

Treasury overdraft fees up 87pc on higher rates

Overdraft charges for the government increased by 87 percent in the year to June 2024, as cash flow challenges left Treasury tapping more emergency loans from the Central Bank of Kenya amid rising interest rates. Between July 2023 and June 2024, it cost the State Sh9.6 billion in charges for the overdrafts it took. This was an average monthly charge of Sh802.5 million, up from $h429.8 million monthly average fee in the prior year, the Controller of Budget (CoB) noted.

During FY (fiscal year) 2023/24, the total charge on the overdraft facility amounted to sh9.63 billion, an increase of 87 percent compared to the overdraft facility charges of Sh5.16 billion in FY 2022/23. This increase is due to the gradual change in the CBK rate and increased use due to revenue shortfalls at the National Treasury CoB noted. The CoB report for the 2023/24 fiscal year notes that over 56 percent of the charges were between January and June this year. CBK doubles interest earnings as State ups overdraft to Sh76 billion. The government taps overdrafts as temporary sources of funds to finance shortfalls, mainly in debt repayments. During the year, the Treasury faced one of the heaviest debt service burdens, spending Sh1.59 trillion. Much of the debt payments were on maturing domestic instruments and interest which cost $h830 billion, while Sh757 billion external debts were repaid during the year. In the whole of 2023/24 fiscal year, overdraft charges ranged between Sh589 million and Sh billion per month. In the previous year, the monthly charges ranged between Sh319 million and $h582 million, In March overdraft charges rose above Sh 1 billion and four months during the year witnessed overdraft charges above Sh900 million each.

Pay squeeze, layoffs force 1.45m to terminate Sacco savings

The number of dormant members in savings and credit cooperative societies (saccos) grew 18.6 percent to 1.45 million in the year ended December, pointing to deeper job cuts and squeezed pay in Kenya's soft economy amid fears the co-operatives would struggle to mobilize deposits for lending. Latest data from the Sacco Societies Regulatory Authority (Sasra) shows 226,893 members in deposit-taking (DT) and non-withdrawable deposit-taking (NWDT) saccos became dormant last year, adding to the 1.22 million that a year earlier failed to contribute or borrow on their accounts. Accounts that have remained idle for six months in DT-Saccos are termed dormant while those in NWDT-Saccos have a longer period of a year.

The 1.45 million dormant members or percent of 54 million members in the Sasra-supervised saccos matches the 2020 numbers when Covid-19 economic hardships triggered layoffs and pay cuts. Employers, workers oppose more taxes to fund unemployment cover. The economy last year grew 5.6 percent compared with 4.9 percent in the previous year, creating 848,100 new jobs amid the struggle to create quality formal jobs that provide saccos with new members. The informal sector, which accounts for more than three quarters of all employment in the country, accounted for the bulk of the new jobs, with 720,900 openings created. Real wages—earnings adjusted for inflation—fell 4.1 percent last year, continuing the trend that started in 2020.The latest figure is nearly six times the 38,602 additional dormant members the saccos reported in 2022 and marks the third year in a row of growing idle accounts in saccos. This coincided with the period when new deductions such as housing levy and increased compulsory savings for retirement and rising inflation squeezed workers, hurting their ability to save in voluntary platforms like saccos.

The rising pace of dormant members contrasts with the falling pace of growth in active members, signaling that workers freshly employed in the formal sector are snubbing saccos. The regulated saccos last year added 194,923 active members to close at 5.39 million compared with 2022 when it had added 382,315 active members and 2021 when this grew by 442,285, Sasra is concerned that the dip in new members could hurt the pace of accumulating deposits, which is a key source for lending. During the year, the Sasra-regulated saccos' loans grew by 11.50 percent to Sh758.57 billion, reflecting increased demand for credit. The loans were mostly funded by savings and deposits, which increased by 9.95 percent to reach $h682.19 billion, meaning that the pace of loan growth outweighed that of mobilizing deposits.

KRA spies uncover Sh79bn in hunt for rich tax cheats

Kenya Revenue Authority (KRA)'s spies have flagged 511 companies and individuals for suspected tax evasion and fraud worth $h79.2 billion based on intelligence received from bank, mobile money transactions and assets registrations. The taxpayers on the KRA's radar were picked from intelligence reports after the spies conducted a series of background checks, lifestyle audits and vetting for the period ended June 2024 in fresh efforts to raise revenue and cut reliance on borrowing.

The profiles of the identified individuals and firms have been forwarded to the Domestic Taxes Department for collection of the unpaid taxes and enforcement unit for prosecution of the tax cheats. To shore up revenue, President William Ruto's administration has deepened its crackdown on tax cheats in the after math of withdrawal of this year's Finance Bill amid . KRA tax demands rise amid field visits by new enforcers. The withdrawal of Finance Bill 4 forced the government to discard taxes worth more than $h346 billion, prompting the State to bet on the widening of the tax base and going after tax cheats. assessments worth $h79,295 million raised [Intelligence and Strategic Operations department] profiles sent to DTD [Domestic Taxes Department] and IRE (investigations and Enforcement department)," says a KRA internal document. This came in a period when the taxman disclosed it trained 339 staff. "on cloud computing, data analytics, machine learning, ChatGPT Artificial Intelligence Tool and text analytics using the Poly Analyst Al platform" to enhance revenue collection. The KRA's intelligence in the past said tax evasion schemes used by companies and wealthy individuals largely range from understating sales to inflation of expenses, which results in lower profits.

Reduced profit translates to lower corporate taxes which are based on 30 percent of profits posted by local firms. Some understate salaries paid to workers to reduce PAYE obligations while others overstate the value of purchases of raw materials to claim more VAT refunds. The KRA is leveraging on increased use of data and linkages between its systems with third parties such as banks and mobile money platforms like M-Pesa to spy on 'taxpayers' activities, use of Internet-enabled cameras at excisable goods processing plants and full rollout of digital electronic tax registers (ETRs) to grow revenue. In terms of tax collected as a proportion of annual economic output, Kenya has been underperforming other nations like South Africa, State House said. Dr Ruto reckons that government's efforts to boost tax collection were being hampered by unscrupulous staff at the KRA, whom he says spent their time helping corrupt individuals and entities to evade paying. The KRA's enforcement unit has been using various databases to pursue suspected tax cheats, including bank statements, import records, motor vehicle registration details, Kenya Power records, water bills and data from the Kenya Civil Aviation Authority (KCCA), which reveals individuals who own assets such as aircraft. Taxman recalls 119 cars as import duty evasion probe gathers pace Car registration details are also being used to smoke out individuals who are driving high-end vehicles but have lite to show in terms of taxes remitted. Kenya Power meter registrations are also helping the taxman to identify landlords, some of whom have been slapped with huge tax demands. The taxman seeks details of suppliers and contractors hired by county governments in the quest to tighten the noose on individuals and firms evading tax.

Bond trades lift stockbrokers' commissions 31pc

Stockbrokers enjoyed a 31 percent jump in trading commissions in the first half of the year ended June on increased volumes of bond trades on the Nairobi Securities

Exchange (NSE), easing the impact of falling advisory fees on their profits. Financial reports filed by the market intermediaries show that they made $h946.4million in commissions over the six-month period, up from $h721.2 million in the first half of 2023.The secondary bonds market at the NSE saw trades worth a record $h782 billion in the half-year period, compared to $h309.9 billion in the corresponding period of 2023.On the other hand the value of shares traded in the equities fell by 19.9 cent to sh47.5 billion from $h59.2 billion in the first half of 2023. Stockbrokers normally earn a commission of between L5 and L8 percent per equities trade, while bond trades attract a commission of 0.03 percent per trade.The elephant in 'Illegal' NSSF bond trades

Other market players such as the NSE, the Capital Market Authority (CMA) and the Central Depository and Settlement Corporation (CDSC) also take a slice of the commissions, meaning that their earnings for the half-year were also boosted by the higher commissions revenue.This (exceptional bond performance) was largely driven by issuances of incentivised infrastructure bonds that attracted both local and international flows in both primary and secondary markets," the NSE said in a commentary of its financials.The decline in equity turnover was attributed to the $h22 billion equity block transaction in the first half of 2023, and the impact of international investors reallocating capital to high yielding government bonds."Dry Associates Investment Bank and Kestrel Capital led their peers in income from brokerage commissions at $h172.6 million and Sh1154 million respectively, with the latter also enjoying the highest growth in this revenue line year-on-year.This pointed to strong performance from their bond trading desks. Despite the higher commissions, the intermediaries reported a 5.8 percent fall in their collective net profits to Sh344.2 million due to a fall in advisory income and higher expenses. Advisory income declined by 47 percent to Sh156.4 million, attributed mainly to the absence of a one-off large transaction that had been booked by SBG Securities in the previous year when the firm helped midwife the $h22 billion purchase of additional EABL shares by the brewer's British parent Diageo in March 2023. This transaction netted SBG Securities and its parent Stanbic Bank Kenya an income of nearly Sh1 billion. SBG had booked a net profit of Sh154 million in the first half of 2023 on account of advisory fees of Sh183.6 million, but the profit fell to Sh14.7 million this year after advisory earnings declined to Shi.9 million. Expenses meanwhile rose by 11 percent to $h1.66 billion for the industry. CMA boss over NSSF bonds trade.The most profitable trading firm was NCBA Capital with a net profit of Sh110.8 million,although this represented a decline of 2.5 percent from Sh113.6 million in the first half of 2023. The firm benefitted from diversifying its business, as the bulk of its top line revenue came from fund management fees of Sh302.7 million, while traded commissions and advisory fees together contributed Sh86 million to its total income of Sh422 million.

Local Interest rates Peak, risk terms ease.

Domestic interest rates have peaked pointing to a pause on high-risk environment that had catapulted the rates to years' records after the Central Bank of Kenya (CBK) raised its benchmark lending figure to counter effects of runaway inflation and currency exchange volatility.The risk-off environment has been underpinned by a fall in inflation rate which declined below the mid-target of five percent in July to 4.3 percent before rising slightlyto 44 percent in August.Treasury bill rates, savings and deposit rates, lending rates and interbank rates have allmarked a decline in recent weeks signalling incoming relief for borrowers even as lower returns mean a drop to investor yields from asset classes such as fixed deposit accounts,

government securities and money market funds. Average commercial bank lending rates fel for the first time in 21 months at the end of July, easing to 16.84 percent from 16.85 percent in June. Deposit rates- the return paid by banks for term deposits similarly fell for the first time in 16 months in July to 11.28 percent from 11.48 percent in June.Moreover, the savings rate- the yield on bank current and savings accounts (Casa) saw its first drop in five months in the same period to 4.56 percent from 5.l1 percent. Interest rates on Treasury bills have also declined for six straight weeks since the beginning of August as the Central Bank of Kenya (CBK) clamps down on aggressive investor bids in its quest to drive down returns from government securities. CBKs move to cut its benchmark interest rate last month to 12.75 percent from 13.Percent in the backdrop of falling inflation and stability in the exchange rate was largely interpreted as signalling to the market the direction of interest rates in days ahead. The move by the apex bank has quickly seen inter-bank lending rates- the cost of overnight borrowing between lenders softening from a year to date high of 14.1779 percent in February to a near nine-month low of 12.6183 percent.Lower interest rates are widely expected to resuscitate private sector lending by commercial banks after growth in loans to the sector collapsed to a multi-year low of 3.9 percent in June on steep borrowing costs. Equally, the banking sector non-performing loans whose ratio touched a near two-decade high of 16.3 percentin June are expected to wear off on improved repayments as borrowers see lower borrowing costs.

Kenya imports from China rebound to Sh 258 bn on SGR Orders

The value of goods ordered from China into Kenya rebounded in the sixmonths thatended June 2024 to grow at the fastest pace in three years, official data shows, partly reflecting higher orders of machinery and transportation equipment, including railwaylocomotives. Spending on imports from China jumped 25.56 percent in the review period to $h257.70 billion, according to provisional imports data from Kenya National Bureau of Statistics (KNBS), marking a turn around from a 9.96 percent fall to $h205.24 billion a year earlier. The growth was the quickest since the first half of 2021 when the value of orders climbed 32.33 percent to $h208.90 billion, benefiting from low-base effects after Covid-induced shutdowns hit shipments.

Kenya largely relies on China for machinery as well as electrical and electronic equipment supply, making it the single-largest source market. China, for instance, accounted for about a fifth (19.23 percent) of Kenya's annual total importsin the six-month period which amounted to Sh1.34 tillion, according to the KNBS provisional numbers. The share of China's imports has increased from 16.55 percent in the same period in 2023, partly boosted by orders for locomotives and wagons for standard gauge railway earlier in the year. Kenya Railways Corporation acquired 300 extra train wagons for SGR freight service in the first half of the year on the back of complaints from importers over reportedly frequent delays of cargo at the Port of Mombasa because of the occasional lack of wagons. We have increased the number of wagons.The challenge of reliability and availability of wagons has been sorted, We have also grown our train numbers to about 10 trains from eight," KRC managing director told the Business Daily on August 26. Beijing has over the years come under scrutiny for creating a market for its goods when inking funding deals for mega projects such as SGR, while the bulk of containers goes back "empty". This has resulted in a gaping trade deficit between the two countries. For example, China shipped goods worth Sh494.25 billion to Kenya in 12 months ended March 2024, while importing goods valued at $h27.13 billion—a gap of $h467.12 billion. The widening trade deficit between China and Africa was a concern for some analysts during last week's Forum on China~Africa Cooperation (Focac). There appear to be two key elements to this. The firstis to push for help to move Africa up the export value chain. The second is to try to reduce imports from China, Jason Tuvey, deputy chief emerging markets economist at UK-based Capital Economics.

Value of laptop, phone imports hits Sh20.7 billion on demand

The value of telecommunications gadgets imported into Kenya surged 76.7 percent to

Hit a record $h202 billion in the first half of this year, up from Sh 1 billion in a similar window of 2022, buoyed by demand.Data by the Kenya National Bureau of Statistics (KNBS) shows that April accountedfor the bulk of the shipments worth a record Sh4.9 billion for a single month--pointing to aheightened appetite for electronic devices as a bigger population in the country becomes more tech-savvy. According to KNBS, telecommunications equipment includes computers, laptops, smartphones as well as networking equipment that's inclusive of their parts and accessories such as microphones, electric sound amplifier sets, television cameras, digital or video camera recorders, and radio and TV transmission apparatus.The latest jump In imports comes at a time when there s growing internet usage within the Kenyan landscape in addition to an increasingly expanding penetration of smart gadgets in the wake of a sweeping digital revolution that has placed the country as a prime market for such products. Kenya imports from China up 12 percent in six months Data from the Communications Authority of Kenya (CA) shows that Kenyans abandoned the active use of 628,818 feature phones during the first quarter of this year,in favour of smartphones whose uptake grew by 886,884 during the same period. Smartphone penetration first overtook that of feature phones in the Kenyan marketin September last year when the former hit 32.63 million after users bought 2.9 million more devices in just nine months, while the latter stood at 32.04 million. The historic surge in the value of tech imports comes despite Kenya unveiling its first-ever mobile phone assembly plant as part of government-led efforts aimed athastening the adoption pace of smart gadgets. Technology and innovation pundits have in the recent past attributed the growing ICT equipmentimports to the country's growing youthful population, who are arguably more tech-savvy and innovative than older generations.

IRA warn banks selling non-existent insurance

Banks running insurance businesses will have to clear all outstanding premiums before getting new licences for their bancassurance operations amid suspicion they are holding on to cash from customers in what could render policies invalid. The Insurance Regulatory Authority (IRA) has written to all bancassurance intermediaries—the banks and microfinance banks that sell insurance in partnership with insurers—to clear any unremitted premium or risk being locked out of the business. The regulator reckons that banks are sitting on insurance premiums received from people seeking cover against risks like fire, accidents and death. This signals that insurance firms could decline to honour claims for cash not received from banks and microfinance institutions, exposing policy holders to risks. The IRA's warning means that bankers and microinsurers must clear the balances within days because they require new licences before the end of September for the year starting january.IRA signs deal to curb advocates withholding insurance payouts.evidence of clearance of outstanding premiums for the period ending December 2023 as per section 55 of the Insurance Act," says the August 9 circular from IRA chief executive, without specifying how much is outstanding. Section 156 of the Insurance Act requires insurers to only recognise risks coming from customers whose premiums have been received, making it crucial for the regulator to push for a reduction in pending payments.Banks and microfinance firms have protested the IRA conditions tying licence renewal to settlement of the unpaid premiums, arguing that customers are yet to remit the full crane.

Besides the outstanding premiums, the insurance regulator is seeking $h20,000 licence renewal fee and a bank guarantee or government bond of Sh10 million. The only premiums that are outstanding are outstanding from customers. Should not be penalised for customers not honouring their premium payments, chairperson at Bancassurance Association of Kenya.

Bancassurance regulations stipulate that premiums should be paid to underwriters so

when banking entities collect, they pay. IRA data shows 17 banks and six microfinance banks are licensed to offer bancassurance. The licences will expire in December. Mr Kiptum clarified in a phone interview that the unremitted premiums that IRA is seeking from banks have been received by the bancassurance intermediaries and need to be wired to insurance firms.The IRA has in the past issued similar conditions to insurance brokers for outstanding premiums that had piled and left customers exposed. Outstanding premiums linked to the brokers had risen to $h41.77 billion in 2018 and dropped to $h35.73 billion at the end of 2019 after the regulator wamed the agents that it would not renew licence pending clearance of the unremitted amounts. The figure has, however, been building up for the past four years, hitting $h45.25 billion at the end of 2022 and Sh52.25 billion at the end of June 2023. All the bancassurance players must renew their permits this month or pay a penalty of $h20,000 for any late application. Trading without a valid licence attracts a penalty of $h200,000 for every established incident. How lenders are deepening foray into insurance business.In addition to leaving customers exposed, unremitted premiums also hurt the liquidity of insurers and reinsurers, compromising the ability of some of them to honour claims.Some insurance firms have also been culprits, delaying payments to reinsurance firms who assist in settling a share of larger and riskier claims. This points to the extent of the problem of outstanding premiums in the sector. Latest financial results indicate that the bancassurance business is one of the fastest-growing for banks. Most of the listed banks posted double-digit percentage growth in pre-tax profits from their bancassurance subsidiaries in the financial year ended December 2023,For instance, Absa Bancassurance Intermediary Limited, a fully owned subsidiary of Absa Kenya, posted a 41 percent jump in pre-tax profit to Sh1.32 billion to top the bancassurance profitability chart.Lastyear also saw Stanbic Bank Kenya's bancassurance subsidiary post a 97 percent rise in gross profit to $h308 million as that of {&M Group increased by 10.4 percent to Sh260 million.KCB's bancassurance subsidiary saw its pre-tax profitrise by 16 percent to $h737 million last year while that of NCBA grew by 83 percent to $h292 million. Group credit life business has been the low-hanging fruit for banks entering insurance, especially through bancassurance, since customers coming for loans are easily sold the mandatory cover. Banks also have an upper hand on motor insurance because they get to know customers who want to buy vehicles before insurers do and can use such an opportunity to sell motor insurance as well as offer asset financing.

How deleted emails, SMSs may derail NSSF bonds trade probe

A leaked central bank letter on suspected irregular trading of the National Social Security Fund (NSSF) government bonds could derail investigations into the matter amid fears the suspects may have moved to destroy some key evidence. Investigators at the Capital Markets Authority (CMA) admit delays in confiscating communication gadgets such as mobile phones, computers and laptops from the suspects to retrieve e-mails, texts and WhatsApp messages sent ahead of the irregular trading in the NSSF bonds. The Central Bank of Kenya (CBK) had on August 19 asked the CMA to investigate recent bond trades under the NSSF between some brokers and market players, terming the trading carried out between May and July 'illegal Defaults to NSSF, NHIF by State firms triple to Sh716m. A fund manager was accused of buying bonds for NSSF at prices higher than the market average and in some instances sold the government paper at lower rates and bought the same bonds at higher prices in a few days.

The CMA has cast doubts about their chances of retrieving communication between the market players involved in the NSSF bond dealings after the information of the probe and possibly forced the suspects to delete communication and destroy thegadgets, said two sources in CMA's legal and investigations unit who asked not to be named given the sensitivity of the investigations. The purpose of this letter is to request the CMA to review the conduct of the above-mentioned parties and share the actions taken with the Central Bank of Kenya CBK's Director, Financial Markets Department in the August 19 letter to the CMA. The capital markets regulator also delayed in seeking a court warrant for search known as Anton Pillar order in legal lingo, in the homes and offices of the suspects. The central bank's letter to the CMA mentioned Humphrey Wachira Gichuru and a freshly licensed investment bank by the name Pargamon Investment Bank as parties of interest in the probe. When the bond is sold and bought in the market, we need to see the pre- and post-trade information; how is the money flowing. He cited, as an example, the covert pursuit of insider trading at Kenol Kobu ahead of the Sh35 billion takeover of the company and its delisting from the Nairobi bourse. Forensic investigations of this kind need to be discreet to the point that the suspects should not be aware, otherwise they would delete data and change devices," he said. Use of mobile forensic evidence marked a turning point in the prosecution of white-collar crimes in the country. Usually, such technology is deployed in terrorism and drug trafficking cases. The use of technology, especially wire taps, has been employed to aid regulators in the US and Europe to successfully prosecute insider trading cases and show the inner workings of the dark web of finance professionals profiting from irregular trade. The CMA says its data analysts are poring over market data of all trades between May and July, type of government paper, their pricing and amount of money involved in efforts to unravel trading in the NSSF bonds. The buying of security at a price higher than the market average creates outsized profits for the parties.

Treasury fails to disburse Sh153bn on cash crunch

The National Treasury failed to disburse Sh1S3.6 billion to cover various payments, including transfers to counties and pensions, exposing the cash crunch arising from the depressed revenue performance. The unmet expenditure requests have resulted in financial challenges for retirees yet to access their pensions, while counties have struggled to meet key spending including the payment of staff salaries. The outstanding exchequer requests as of August 31, 2024 included Sh63.6 billion in delayed transfers to county governments, $h33.5 billion in recurrent budgets and Sh26 billion in unpaid pensions-gratuities. The undisbursed resources mirror the extended cash crunch at the exchequer which has been primarily driven by the persistent underperformance of tax revenues. The exchequer missed its revenue target for the fiscal year ended in June 2024, while the subsequent withdrawal of the 2024 Finance Bill has opened a new funding hole in the budget. Banks tap Sh trn in CBK support on cash crunch. Total revenue was below target by $h204.9 billion in June 2024," the National Treasury says in its latest review of macro-economic developments. Revenue mobilisation and financing challenges affected our ability to execute the 2023/24 budget in a timely manner leading to cash flow challenges and associated build-up in unpaid bills. The National Treasury ended the fiscal year to June with $h218.5 billion in outstanding exchequer requests but cleared most of the undisbursed amounts in July to leave a balance of $h38,7 billion before the arrears crept up again in August. The implementation of the Finance Act, 2023 recorded a performance rate of 77.1 percent as revenues realised fell short of the mark by $h53.3 billion on theunderperformance of miscellaneous fees and levies, collections from the housing levy,income tax and excise duty. The Act had been expected to mobilise Sh232.5 billion in new cash flows for the government but only yielded Sh179.1 billion. Revenue projections in the 2024/25 financial year have been derailed by the rejection of 2024 Finance Bill following deadly street protests, denying the exchequer an estimated sh344.3 billion from new tax measures. Government has fallen back on spending cuts to plug the revenue hole including reducing the recurrent budget by Sh35,7 billion, which covers a 100 percent cut in spending for the refurbishment of buildings, purchase of vehicles and furniture and the grant of housing and car loans to public servants. The Ist supplementary budget estimates for the 2024/25 financial year have nevertheless, ring-fenced key development budget items including a Sh3 billion allocation to the Hustler Fund, Sh10 billion for the fertiliser subsidy programme and sh68.2 billion for the National Government Constituency Development Fund (NG-cpr). Up to Sh68: billion of carryover expenditures from the 2023/24 fiscal year have been factored in the supplementary budget including $h23.8 billion to pension and gratuities, $h30.8 billion in transfer to counties and 13.5 billion for the NG-CDF. The balance of Sh150.4 billion in carryover spending is to form a first charge in spending by various ministries and State departments. Overall revenues to June next year are estimated at $h3.06 trillion including Sh2.63 trillion from taxes while expenditures is set at $h3.88 trillion. The budget hole or fiscal deficit has expanded to $h768.6 billion or 4.3 percent of GDP from an initial estimate of $h597 billion signaling increased borrowing by the government to fund the national budget. The Treasury is betting on reforms including the implementation of the national tax policy, the medium-term revenue strategy and a focus on non-tax measures to improve revenue mobilisation over the medium term. The implementation of the revenue and expenditure measures will continue to reduce the fiscal deficit from 5.6 percent of GDP in the 2023/24 fiscal year to three percent. The reduction in fiscal deficit will enhance primary surplus, thereby stabilizing public debt over the medium term.

M-Kopa ordered to pay taxes in Kenya

The Tax Appeals Tribunal has ordered M-Kopa Holdings to pay taxes in Kenya after the financial technology firm, failed to prove that it was managed and controlled from the United Kingdom (UK). M-Kopa sought reprieve from the tribunal after the Kenya Revenue Authority (KRA) assessed its withholding taxes and Pay as You Earn (PAYE) at Sh885 million. In a ruling, the tribunal set aside withholding tax assessments for 2017 to 2019 and on deemed interest but upheld KRA's position on tax residency, PAYE, and withholding tax from November 2019 onwards. The Respondent's assessment regarding WHT (withholding tax) on interest for the period commencing November 7, 2019 onwards be and is hereby upheld," the tribunal said in its August 9, 2024 decision. A the Respondent's assessment regarding WHT on interest for the period from November 6, 2019 backwards be and is hereby set aside. The tribunal ruled that M-Kopa Holdings had its place of effective management in Kenya, thus affirming its tax residency in the country. Fund linked to ex-US Vice President buys stake in fintech firm M-Kopa. The tribunal agreed with KRA that senior managers based in Kenya played a significant role in making critical management decisions. The Appellant did not also table evidence of the key decisions that were made by the board in the meetings that were held outside Kenya. The determination of PEM (place of effective management) is based on facts and circumstances," the tribunal said. the appellant's failure to provide evidence to support its argument that the board had actually made core decisions affecting the operation of the company in the meetings held outside Kenya, meant that it had failed to discharge the burden of proving that it was not a resident in Kenya. M-Kopa Holdings, a UK-incorporated entity, had challenged KRA's assessment of sh885,874,398 million in taxes, penalties, and interest for 2018, 2019, and 2020.

Kenya Re investor wealth falls 24pc after bonus shares issue

The wealth of Kenya Re investors has dropped by nearly a quarter or Sh1.9 billion since award of bonus shares to investors, signifying a selloff by shareholders in the after math grant of the new units. Kenya Re's market capitalisation has fallen by 24.3 percent from Sh7.9 billion on June 25 when the company closed its register for the bonus shares to Sh5.9 billion with the share price falling from $h2.83 to Shl.07 in the period. The company' share price fell immediately after the register closed for the bonus mirroring exits by investors anticipating halving of the stock price after the listing of new shares. Bonus share issues are usually expected to leave the market capitalisation of a company unchanged even as the share price is discounted to factor in the increased supply of stocks in the market. Kenya Re earnings from Zep Re down 48pc on weak shilling Kenya Re issued one bonus share to investors for every one share held, doubling the supply of the company's stock on the NSE from 2.79 billion shares to 5.59 billion shares. The market capitalisation of the reinsurer was widely expected to hold at $h7.9 billion even as the share price corrected but the paper wealth has receded further to fall below the closure date for the bonus shares.

Bonus shares may be viewed by some investors as negative as they do not generate cash for the company and neither do they change the fundamentals that drive returns for investors. Kenya Re rewarded its shareholders with both bonus shares and a dividend covering its operations for the year ended December 2023, raising the payout to 30 cents per share from 20 cents previously. The bonus shares did not qualify for the dividend. The reinsurer's net profit rose to Sh4.9 billion in the year from $h3.5 billion prior, anchored largely on higher investment income in the period including a net foreign exchange gain. The company, however, saw its half year net profit to June 2024 decline marginally to Sh1 billion from $h1.1 billion as the investment income shrunk from a net foreign exchange loss in its regional operations.

Treasury cuts Sh334bn tax target for new Finance Bill

The Treasury has slashed its tax target for the next financial year by $h334 billion and cut spending in changes that point to government hesitance to raise taxes amid public anger. The budget review and outlook papers show the exchequer expects to raise $h2.96 trillion in the year starting next July from the initial target of Sh3.294 trillion set before deadly protests forced the government to withdraw Finance Bill 2024—which planned tax increases. The reduced tax collection target has triggered a cut in spending by Sh396 billion for the new year to $h4.157 trillion. The outlook papers provide a sneak preview of the Finance Bill 2025, which comes in a period when the State remains fretful over a public outcry and threat of protests should it push for new taxes.

Mbadi sets conditions for lower VAT, corporate tax President William Ruto discarded tax hikes worth more than $h346 billion in June after the protests. The move left the heavily indebted government with a bigger budget deficit for this financial year, mounting pending bills, and a delay in funding from the International Monetary Fund (IMF)—whose staff are visiting Kenya on a fact-finding trip.

This includes less than ideal revenue performance, escalation in public debt and debt service, expenditure carryovers and the accumulation of pending bills as well as increased requirement for

funding priority interventions," said Treasury Cabinet Secretary. Of the $h334 billion cut in revenue collections, income tax has recorded the largest fall of $h172.3 billion to Sh1.327 trillion. Projections of value added tax (VAT) are down Sh100.1 billion to $h826.! billion while import duty has been revised downwards by $h33 billion to $h196.7 billion.

Mr Mbadi initially said he would revive some tax hikes in the abandoned Finance Bill. He later signalled that the government would consider tax cuts in the medium term, including reducing the VAT on goods and services to 14 percent from 16 percent, and slashing the corporate income tax from 30 percent to 25 percent. Kenya requires billions of shillings to keep servicing its debt, which stands at above the optimum level recommended by the World Bank and the IMF, after years of borrowing driven by infrastructure construction.

The IMF fact-finding trip is part of efforts to craft a way forward in the aftermath of deadly protests that prompted the withdrawal of planned tax hikes. Kenya agreed a four-year loan with the IMF in 2021, and signed up for additional lending to support climate action measures in May 2023, taking its total IMF loan access to $3.6 billion (Sh464 billion). The IMF requires regular reviews of reforms - in Kenya's case every six months – before. It releases tranches of funding. Kenya reached a staff level agreement with the IMF in June on the seventh review of its programme, but the protests and ensuing withdrawal of the Finance Bill puta sign-off by the fund's executive board, and subsequent

payout, on hold. In the new fiscal year, spending on development projects like building roads, bridges and power plants is expected to drop by Sh405.5billion to Sh663.2 billion whiles recurrent spending on items like civil servants' salaries will rise by $h30 billion to $h3.056 trillion.

Pending bills Claim hit Sh 664.7 billion

Pending bills claims made under the ongoing verification exercise have climbed by Sh2.4 billion reaching $h664.7 billion with the number of claimants topping 114,376.

The disclosures made by the National Treasury reveal a growth in the number of claimants from 94,997 in June even as the value of claims remains largely unchanged from 662.3 billion in the same period. The rise in claimants comes ahead of the release of an interim report by the Pending Bills Verification Committee next month.

The committee has so far received pending bills claims valued at Sh664.7 billion from 114,376 claimants and verification is ongoing. The committee is expected to release its interim report in October 2024," the National Treasury noted. The pending bills verification committee was inaugurated in November last year and tasked with analysing all stocks of pending bills for the period July 1, 2005 to June 302022. Suppliers now seck

Sh21bn for delayed State payments. The committee was also tasked with formulating measures to stop the accumulation of pending bills going forward.Pending bills have continued to rise despite the government renewed focus on clearing

the arrears with the National Treasury directing ministries and State departments to treat the bills as a first charge. The national government's outstanding pending bills rose by Sh29.4 billion in three months to June 2024 despite the Kenya Kwanza administration tough talk on eliminating the sticky arrears. The stock of national government pending bills hit $h516.3 billion in June 2024 from sh486.9 billion in March. The outstanding national government pending bills comprised $h379.8 billion in arrears by State corporations and sh136.5 billion owed by ministries, State departments and other government agencies. Counties meanwhile reported outstanding pending bills of Sh181.98 billion as at June 30, 2024 consisting of Sh179.87 billion for county executives and Sh2.1 billion for the County Assemblies. The National Treasury is banking on a shift to accrual basis accounting from a cash basis criterion to significantly reduce the occurrence of pending bills.

Treasury overdrafts rise to SH 70.68 bn on interest payouts

The National Treasury resorted to an emergency loans facility to repay more than $h20 billion in interest repayments that were due to bondholders at the beginning of the month, reflecting periodic cash flow challenges. Latest data shows outstanding overdrafts at the Central Bank of Kenya stood at $h70.68 billion compared with $h46.7 billion in the prior week. The facility largely helps the Treasury to finance short-term needs when it faces a cash shortage, including urgent payment requirements such as salaries and other priority recurrent expenditures like debt repayments. The Treasury said the Sh23.98 billion week-on-week growth was a result of the Sh21.9 billion it tapped from the facility to offset interest disbursements to domestic bondholders on September 9.

Treasury overdraft fees up 87pc on higher rates

This will be reimbursed from the proceeds of the Treasury bond auction for this month," Bernard Ndungu, the director-general for accounting services at the Treasury.

Depending on the level of maturities, the National Treasury utilizes the overdraft and replenishes the same on a regular basis. The CBK, the government's fiscal agent, is seeking to raise $h30 billion from two re-opened bonds —a 10 and 20-year paper—whose sale started September 4 through September 8.A recent auction of long-term bonds has seen rates swing between 16 percent and 18.4 percent, a substantial increase that started building from last year as the CBK took action to support the shilling and slow inflation. The 10-year paper has a coupon —interest rate set in the first auction—of Ié percent, but investors are free to quote higher rates in the current sale. The bond was first sold in March this year and has 9.5 years left to maturity. The 20-year paper has a coupon of 14 percent that was set in the initial September 2016 auction. The bond has 12 years to maturity.

Banks switch to upgraded system for large payments

Banks and microfinance banks have started testing the upgraded system for messaging high-value financial transactions to increase speed of transfers while heightening the screening for fraud. The lenders on started piloting the upgraded system which incorporates ISO 20022 Standard —a global standard for exchanging electronic messages between financial institutions using uniform messaging and coding to give better insight into the purpose of every financial transaction. The standard provides nearly 10 times more data about each payment, including the purpose of payment, original source and ultimate beneficiary, allowing banks and regulators to stem fraud, money laundering and terrorism financing while setting transactions at enhanced speed. The Central Bank of Kenya (CBK) circular to banks and microfinance banks shows the pilot phase of migrating the Kenya Electronic Payment and Settlement System (Kepss) to I5O 20022 , September 20. Kepss is Kenya's payment system for high-value and time-critical domestic payments. The adoption of I5O 20022 messages will transform how financial messages are exchanged by enhancing operation efficiency and delivering richer usable data for analytics.CBK director of banking and payment services, in the circular. The structured messaging format will also help banks understand the underlying relationship between all parties in the payment chain, eliminating chances of unnecessarily flagging and delaying safe transactions. CBK says the pilot phase, which entails aligning the technical interfaces with the new standard, will be followed by a dress rehearsal phase in which a simulation of live operations will be carried out for four days to September 26. Central Bank of Kenya boosts large payments via upgrade of system Banks will then go live with an I5o 20022-compliant system on September 30. All financial institutions involved in cross-border payments have up to November 2025 to switch to this new standard that intends to create a single common language for payments. This marks another upgrade on Kepss, since June 2020 when CBK implemented a major upgrade on this real time gross settlement system. The 2020 upgrade added capabilities such as increasing the processing ability to more than one million transactions per day, up from daily average of 19,000 transactions. CBK says the migration to the new standard is part of implementing the National Payment Strategy 2022-2025, in which the regulator aims at, among other things, enhance reporting of fraud incidents through robust data reporting. The regulator said through I5O 20022, it will adopt enhanced big data analytics to support appropriate oversight over current and emerging security threats by relying on structured data. Kenya's financial sector has seen a heightened pace of sophistication with developments such as mobile money banking, online betting, digital credit, online foreign exchange trading and the use of cryptocurrencies all requiring heightened checks against money laundering and terrorism financing risks.

September bond sales to chart trend of interest rates.

September's bond sale which closes on is set to test the expectations that interest rates have peaked after the recent fall in inflation and stability of the exchange rate. The Central Bank of Kenya (CBK) signaled tha it expects domestic interest rates to go down with its 25-basis point rate cut to 12.75 percent in the last monetary policy committee meeting in August. Analysts expect investors to test this resolve in the sale of reopened 10 and 20-year bonds, which carry coupons (fixed interest rates) of 16 and 14 percent respectively.

KRA'S August tax collections in rare Sh 9.2 bn fall.

Kenyans tapped Sh96.3 billion loans from savings and credit cooperative societies (saccos) to pay school fees and related expenses last year, underlining the growing burden of educating in private institutions amid falling standards in cheaper public schools. New data released by the Sacco Societies Regulatory Authority (Sasra) shows that borrowing to pay fees is only second to loans for purchase of land and building residential houses at Sh124.2 billion, which has traditionally been the primary focus of the credit unions. Overall, sacco members tapped new loans worth $h460.5 billion in 2023, with debt for school expenses having accounted for 21 percent of the credit issued in the period. The agriculture sector, which accounts for the largest share of Kenya's gross domestic product (GDP), came in third with new loans at $h78.1 billion, followed by trade at sh58.2billion. This emerges in a period when most households prefer to send their children to private schools where class sizes are smaller, facilities more developed and performance in national exams generally better than public schools. When the government introduced free primary education (FPE) in 2003, the school enrolment almost tripled, without the facilities and resources expanding as fast in what watered the market for growth of private schools. But the private schools are costlier and have emerged as profitable enterprises that have attracted high-net worth investors and private equity funds. Pay squeeze, layoffs force 1.45m to terminate Sacco savings. Average wages in real terms have fallen for the fourth year in a row as the falling standards push workers to tap loans for basic items like schooling, health and food.

Mbadi task force to verify claims of Sh 90 bn unremitted county pension cash.

Treasury Cabinet Secretary John Mbadi is setting up a team to verily claims that an estimated $h90.3 billion pension savings for county staff had not been remitted to manager schemes. The Retirement Benefits Authority (RBA), the industry regulator, said the accumulated funds had been deducted from the workers' payslips in the devolved units as of March 2024, but had not been remitted to the pension trusts. The data from the RBA, however, contradicts a report from the Council of Governors to the Senate, which puts the arrears at Sh40.5 billion as at March 2023. The discrepancy of Sh49.5 billion prompted the Senate Select Committee on County Public Investments and Special Funds. Treasury to investigate the true position of the accumulated bills Owing to the discrepancies in the figures, the Senate directed that a taskforce be established to scrutinise the pension liabilities and propose a roadmap for settling the amounts," Mr Mbadi's office wrote in the draft 2024 Budget Review and Outlook Paper. The National Treasury is in the process of constituting the taskforce, which is expected to complete the verification process within 90 days once gazetted" the CS added. The announcement came ahead of the planned release of an interim report by the Pending Bills Verification Committee, led by former Auditor-General Edward Ouko, next month, left he non-remitted pension arrears as captured by RBA are confirmed, they will account for about half of the pending bills at the counties. Counties reported pending bills of Sh181.98 billion as at June 30, 2024, consisting of Sh179.87 billion for county executives and Sh2.11 billion for the county assemblies. Accrual accounting records revenue and expenses when transactions occur before the money is received and dispensed, while the cash basis method records income and expenses when cash is received or disbursed. CPF Financial Services, the county pension fund administrator, has in the past. threatened to auction assets of the devolved units to recover the unremitted contributions.

US Interest rates cuts won't solve Kenyan asset problems, analysts Say

A cut on bank borrowing costs, gains at the Nairobi Securities Exchange (NSE) and a stronger shilling against the dollar are in the offing in Kenya after the US Federal Reserve started its anticipated rate cuts on Wednesday, triggering a flow of the greenback to emerging countries. The US central bank cut its base rate by a half percentage point to a range between 4.75 percent and five percent, its first cut since March 2022 when it was forced to start tightening its monetary policy in response to rising inflation. Economists say that lower US interest rates can benefit emerging markets by reducing the cost of dollar financing and other borrowing costs. Lower rates on US bonds can also often make assets from other countries more attractive, triggering increased flow of dollars for purchasing shares at the Nairobi bourse and government securities. Before Wednesday's cut, US rates had been at their highest since 2001, part of the Fed's bid to bring down inflation from the biggest surge in a generation. US interest rates cuts won't solve Kenyan asset problems, analysts sa} But with consumer price inflation now at 2.5 percent, close to the Fed's 2.0 percent, target, the central bank has signalled more reductions to come. Global equities rallied yesterday as investors sought to buy shares ahead of an expected. surge in a setting that saw the dollar weaken against top currencies as the appeal of investing in the US papers took a hit. Key emerging markets in Asia saw gains after the Fed announcement, and we expect frontier markets where Kenya lies to follow suit before the end of the year. Manambo, a senior analyst at Standard Investment Bank in Nairobi. Foreign investors will be more inclined towards inflows as the opportunity cost of investing here as opposed to developed markets diminishes. The September cut, which is expected to be followed by another half a percentage point cut before close of the year, is set to trigger a global realignment of capital flows to the benefit markets such as Kenya.

Treasury CS John Mbadi headed for clash with MPs over tax waiver powers

The National Treasury wants its Cabinet Secretary to have the final say on the waiver of taxes that are difficult to collect in an amendment that is likely to put the exchequer and Parliament on a collision path. Treasury Cabinet Secretary John Mbadi has sought to amend the Tax Procedures Act by introducing a new section that would give him the overall power to determine whether or not to forgive taxes. In the condemned Finance Bill 2024, the legislators had overturned the Treasury's proposal to give the Commissioner General of the Kenya Revenue Authority (KRA) the power to waive long-standing debts. Instead, the lawmakers required the KRA to publish waivers of taxes deemed uncollectible and to seek parliamentary approval. The proposed law was abandoned following widespread protests.

The commissioner shall, where he or she determines that there is doubt or difficulty in recovery of tax, refer the case to the Cabinet Secretary for consideration and approval for relief of part or the whole of the tax due from a person," reads part of the Tax Procedures (Amendment) Act, 2024. The Cabinet Secretary may approve relief of part or the whole of the tax due from a person or direct the commissioner in writing to take such action as may be appropriate," the Bill adds. The KRA chief must follow the directions given by the Cabinet Secretary, and cannot assess or recover unpaid tax or the liability related to the relief granted. The Bill requires the Cabinet Secretary to publish a gazette notice every four months listing the taxpayers whose debts have been forgiven, the reasons for the relief, and the amount waived. Although the National Assembly has 21 days to decide whether to approve or annual the notice, annulling the notice does not invalidate decisions taken before by the Cabinet Secretary, which makes the National Assembly's role in tax relief largely ceremonial. Members of Parliament had rejected a proposal to hand powers to abandon taxes to the KRA commissioner-general in a move that prevented the creation of an all-powerful tax czar. The Finance Bill, 2024 had initially proposed to allow the KRA chief, with the approval of the Treasury, to abandon unpaid taxes due to difficulties in collecting them or the costly nature of pursuing tax cheats. An audit of the KRA's books for the financial year ending June 2023 by the Auditor-General showed that there was a revenue debt of $h542,192,103,181 (Sh542 billion) as at June 30, 2022. Of this, doubtful and uncollectible long outstanding balances stood at '$h537,766,663,107 (Sh538 billion).

Audit exposes how KRA dished out $h3.4 bn illegal tax waivers In March last year, the High Court quashed income tax waivers granted to Japanese workers and companies saying the decision to award the reliefs by the former Treasury boss Ukur Yatani in 2021 was unconstitutional as the CS did not have such powers. Mr Yatani had exempted income tax for businesses and workers earnings from 15 projects valued at $h328 billion,

Banks start compliance with foreign customers reporting requirement

Local banks are this month expected to fully comply with the requirement to share the details of foreigners' accounts with Kenya Revenue Authority (KRA), for onward transmission to the respective jurisdictions after the lapse of the August 31, 2024 deadline. Commercial banks in February started identifying foreign customers who maintain accounts in Kenya ahead of the initial May 31 deadline. The requirement for filing was however extended to August 31, making September the first reporting month for the institutions. The reporting criteria was introduced by the Organisation for Economic Cooperation and Development as a measure to combat tax evasion and promote financial transparency. The details to be shared include account balances, address, place and date of birth, country of tax residence or countries and ID numbers. KRA is also expected to receive similar details on a resident taxpayer with an offshore account. The common reporting standards (CRS) were legislated in Kenya through the CRS. regulations gazetted in February last year. Banks have been notifying customers of the standards application including the issuance of self-certification forms. Common Reporting Standard regulations' impact on taxpayers. To confirm your status under CRS, you may be asked to complete the appropriate self-certification from and return it to your branch or relationship manager," DTB Kenya said in a communication to customers. CRS reporting distinguishes between two types of accounts based on balances as of December 31,2023 including low value accounts whose balance was less than $h129.1million ($1 million) and higher value accounts whose balance exceed the mark. CRS records are to be maintained for at least five years after the reporting period. Several countries on the continent have begun exchanges under the framework including South Africa which was the first to do so in 2017. Others are Mauritius ((2018), Ghana (2019) and Nigeria (2020). Uganda and Rwanda are set to begin the exchange of information in 2025. Globally, over 5,400 bilateral exchange relationships under the framework have been activated covering 120 jurisdictions. Signatories to the framework include tax havens such as Panama, Cayman Islands, Mauritius and Jersey.

Demand for 182, 364-day T – Bills recover on rates drop outlook

Investors have raised their appetite for the longer dated 182- and 364-day Treasury bills as interest rate expectations rise and the market assesses a potential peak returns on fixed income assets. The subscription rate for the 364-day paper, for instance, rose to 45.5 percent in August from 40.6 percent in July, while the subscription rate for the 182-day paper hit 115 percent from 64.8 percent, according to data from the Central Bank of Kenya (CBK). Demand for the favoured 91-day paper dipped slightly in August to 286.5 percent from 352.2 percent as investors sought to lock in a high return amid a downward trend in Treasury bill rates.

CBK resists bid to take Treasury bills to 1/pc Treasury bill rates have been on the decline for eight straight weeks with the latest return from the 91-, 182- and 364-day papers at 15.7463, 16.6157 and 16.8130 percent respectively as of last week. Investors bid Sh10.5 billion into the 364-day paper last week, exceeding the target of Sh10 billion, while subscriptions to the 182-day paper stood at Sh8.4 billion.

The 91-day paper was, however, still the most subscribed with bids of Shi1.3 billion. Analysts expect the shift in T-bills subscriptions to continue as domestic interest rates remain on a downward trend even as the 91-day paper remains the darling of investors. Demand for T-bills dries up against higher interest rates. We continue to see comparative higher subscriptions for the 91-day and lower subscription for the 182-day and 364-day T-bills since March 2022, but this trend is likely to change once interest rates are set on a clear path downwards noted analysts at Sterling Capital, an investment bank. Investors had favoured packing money in the shorter maturing 91-day paper amid a rising interest rate environment to avoid holding funds at a lower return as yields rose further.

The recent shift in the direction of interest rates has, however, driven interest towards longer dated T-bills as investors seek to lock in returns from lengthier papers as the high yields unwind. The CBK is expected to be pivotal to the direction of interest rates in the domestic market over the short- to medium-term from its benchmark rate setting role. Interest rate cuts in advanced economies, including the US, are expected to increase CBK's scope to further trim local lending rates, following up its 0.25 percent cut of its benchmark rate in August when it holds its key policy meeting on October 8. US rate cut brings cheer to Kenyan investors. A lower benchmark interest rate is widely expected to drive other domestic rates lower, including interbank rates, yields on Treasury bills and bonds, fixed deposit and savings rates. Low inflation and the end of exchange rate volatility have anchored the downward pressure on interest rates.

Savers stockpile Sh1.9 trillion in fixed deposit accounts on high rates

Savers stockpiled Sh1.97 trillion in fixed deposit accounts in a record frenzy in the year to June 2024, encouraged by the prevailing high interest rates, new data shows.

The amount of cash deposited in fixed accounts in commercial banks rose by a record $h224 billion between June last year and June 2024 to hit Sh1.97 trillion from Sh1.75 trillion, new data from the Central Bank of Kenya (CBK) shows. The growth in fixed account deposits contrasts with an increase of just Sh11 billion in June last year, $hd6 billion and sh64 billion in june 2022 and June 2021 respectively. he fixed deposits balances soared by Sh166 billion in the 12 months to June 2020 during the pandemic, marking the last notable increase in the term savings. The rise in time and savings deposits has coincided with an increase in the return paid out by commercial banks for long-term deposits as domestic interest rates soared. The average commercial bank deposit rate rose from 7.8 percent in June 2023 to 1148 Percent in June 2024, encouraging depositors to hold cash in the term accounts. Savings rate. Meanwhile, demand deposits at commercial banks fell by Sh107.8 billion over the same period to $h1.57 trillion from Sh1.68 trillion over the same period. The decline in the short-term deposits came even as the savings rate— the return paid to depositors in current and savings accounts (Casa) ~rose to 5.11 percent in June 2024 from 3.92 percent at the same time last year. The fall in savings account balances amid rising term deposits signals the likelihood that depositors are withdrawing funds from the lower-yielding savings account to take advantage of the high return offered by term deposits. Banks usually pay a higher return on term deposits in contrast to savings accounts as an incentive to customers to hold funds with the institutions for longer.

Non-tax revenue from parastatals post biggest increase on mop-up

Cash generated by the government from non-tax services such as fees for services as well as mopping up of surplus money from parastatals more than four -fold in the first two months of the year, new data from the national Treasury show. Non – tax revenue for July and August totaled Sh 17.63 billion the Treasury said in monthly disclosures, 448.38 percent jump from Sh 3.23 billion in the same period last year.

Ministerial A -l is revenue collected by various ministries departments and agencies (MDAS) in the provision of services and spent at source after appropriation by the Lawmakers. The Committee noted with concern that Appropriations-in-Aid comprises a substantial component of financing for the national government amounting to approximately h400 billion in the proposed budget for the financial year 2024/25," the Budget and Appropriations Committee wrote in a supplementary budget report in July after the Finance Bill 2024 collapsed. However, agencies with a mandate to collect the A-i-A have continued to underestimate their A-i-A targets during budget approval only to seek an upward review during supplementary estimates. This continues to reduce accountability and prudence in the use of AIA which is a form of revenue collected from taxpayers. Some of A-i-A receipts are the Road Maintenance Levy charged at $h25 per litre of petrol and diesel, the Railway Development Levy at L percent of the value of imports, the Housing levy at LS percent of gross personal earnings matched by employers, the Petroleum Development Levy and university fees. Services such as transport permits such as driving licences, land titling, and registration of persons are also key sources of non-tax revenue. The other sources are royalties, investment income as well as fines and for feitures. President William Ruto has also been adamant that state-owned entities must surrender idle cash in their accounts to the exchequer. The president followed this up with a directive in March that commercial state corporations should wire up to 80 percent of net profit to the Treasury, an order that has now been included as one of the performance indicators for chief executives this financial year ending June 2025.

Net external borrowing to halve to Sh167bn in next financial year

Kenya's net external borrowing in the next financial year (2025-26) is expected to more than halve to Sh166.7 billion from $h355.5 billion in the current year, courtesy of a sharp increase in principal debt repayments that will need to be rolled over using new borrowing. Fiscal projections published by the National Treasury in the Budget Review and Outlook Paper (Brop) 2024 show that domestic lenders are instead expected to shoulder the burden of funding the government's fiscal deficit next year, which is projected at sh689.4 billion. External principal repayments are expected to jump to Sh500.2billion in 2025-26 from the present year's $h330.7 billion, meaning that a larger share of the foreign borrowings will go towards satisfying existing lenders rather than funding the upcoming budget. The heavy maturities, therefore risk having Kenya miss out on the benefit of the expected fall in the cost of external credit as the US Federal Reserve progressively cuts its base rate in the coming months. Between March 2022 and July 2023, the Fed raised its rate from a range of 0.25 to 0.5percent to a range of 5.25 percent to 5.5 percent, making US financial assets attractive to investors. As a result, frontier economies like Kenya faced steeper demands for a premium from commercial external lenders to entice them to forgo the low-risk, higher returns in the us. Charting the path to Kenya's fiscal and debt sustainability. The US rate cut will thus result in more favourable borrowing conditions in the international marker, ideally allowing the government to shift the financing burden there away from the domestic marker, cutting competition with the private sector for bank credit. Reduced demand by the government for domestic credit would also help the Central Bank of Kenya (CBK) to bring down interest rates, given that the State's borrowing rates are seen as the risk-free floor for domestic loans. Due to the constrained room for external borrowing, however, on account of the heavy maturities, the government is instead projecting to raise its domestic borrowing target for 2025-26 to $h522.7 billion from the current year's Sh413.1 billion. This is despite planning to reduce the fiscal deficit from $h768..6 billion to Sh689.4 billion over the next year.

Ruto faults developed nations for snubbing global climate crisis

President William Ruto has criticized developed countries for their failure to address the global climate crisis, inequalities and debt crisis. During his presentation at the United Nations General Assembly's Summit of the Future in New York on Sunday night, Dr Ruto faulted the global policies for their in effectiveness in addressing current and emerging world issues and stated that the United Nations (UN) has not sufficiently addressed global challenges. A year ago, I stood before this assembly urging bold reforms of the UN systems to tackle the boldly revolving and increasingly complex global challenges. Today, that call is as urgent as it was then," Dr Ruto said. The planet is heating up, our climate is in crisis, oceans are rising, deserts are spreading and conflict is engulfing the world. Millions of people are displaced, poor and without access to basic services. He said multilateral systems have proved inadequate in addressing crises such as climate change, inequality and debt, and continue to fail in providing any. Urgent reforms needed to tackle mounting debt crisis in Africa

During his first presentation at the Summit of the Future, Dr Ruto emphasised the urgent need to address the unprecedented global crisis posed by advanced stages of climate change. He urged the UN to move beyond boardroom discussions and take actionable measures against the effects of climate change on a global scale. We have no choice but to reject outdated systems and re-imagine a framework of international cooperation that works for us, eight million of us on the planet. This

'means redesigning the international financial system and strengthening partnerships for common security bridging the digital divide and investing in human capacity, especially empowering women and youths; the window to achieve this is, however, fast closing. He then took pride in Kenya' s execution of the Ist African Climate Summit, describing. It as a good example of actionable reforms in addressing climate change while detailing the country's ambitious tree planting exercise of 1S billion trees, increasing the forestcover by 30 percent. He challenged the world to follow suit in other actions in the race against climate destruction.

US Fed rate Cuts: Chance for Kenya and E. Africa to attract More FDI

The US Federal Reserve's decisions on interest rates reverberate across global financial

markets, influencing foreign exchange dynamics, liquidity, and Foreign Direct Investment (FDI) flows. On September 18, the Fed opted to lower interest rates by 50 basis points (bps), an unusually big reduction indicative of the US Central Bank's confidence that itis winning its battle against inflation. While some view this move as an election-year tactic to boost voter confidence through economic optimism, the rate cut opens significant opportunities for emerging markets, including Kenya and East Africa. Relationship between US Fed rates and global FDI flows. There is generally an inverse relationship between the Federal Reserve's interest rates and the flow of FDI globally. When US rates decrease, investments in US-based assets yield lower returns, prompting investors to explore higher-yield opportunities in foreign markets.

Conversely, when the Fed raises rates, capital flows back to the US as higher domestic returns become more attractive. This shift directly impacts emerging economies, which rely heavily on EDI to spur economic growth. US rate cut brings cheer to Kenyan investors Implications for Kenya and East Africa With the US rate cut, East Aftican economies could potentially see a rise in foreign Investment if local conditions are conducive to capital inflows. Capital inflows to emerging economies: A lower interest rate environment in the US makes domestic investments less attractive, prompting investors to seek higher returns in emerging markets. Kenya, along with other Eastern African nations like Tanzania, Uganda, Ethiopia and Rwanda could see arise in investments. Devaluation of the US dollar: An increase in FDI outflow typically weakens the US dollar, making foreign assets more affordable for international investors. Kenya's manufacturing sector stands to benefit significantly if positioned strategically, potentially creating thousands of jobs. At the same time, a weaker dollar will ease the stress of repaying foreign-denominated debt, making debt servicing more manageable for the Kenyan government.

Car Insurance : Heads they win, tails you lose.

How should I select an insurance company for my car, and what level of cover do you recommend?

There are about five dozen (!) insurance companies registered with Kenya's Insurance Regulatory Authority, and most are members of the Association of Kenya Insurers.

About a dozen of these have well established provenance and good repute. The rest vary. There are three common levels of motor cover.Act Insurance: This is compulsory, doesn't cost much and will never pay you anything. It protects everyone else from any damage you might do to them. By the same token, you in turn are protected by the insurance of any other motorist who does damage to you. It is only in this context that the party making a claim must prove that the other party was at fault. 'Third Party: This is Act Insurance usually with an additional cover for your own vehicle against "fire and theft". No more than that. The premium is still relatively modest, but it does not include damage to your own vehicle in the event of an accident. A burnt or stolen vehicle's nominal value in the event ofa claim will be decided by the insurance company. If you want to be completely sure, you might be able to get an "agreed value" insurance, for a surcharge. Comprehensive: This upgrades Third Party to include cover for your vehicle and yourself in the event of an accident, no matter whether itis your fault or someone else's, The premium will usually be about seven percent of the vehicle value you declare. Over time this can be reduced by an annually earned No Claim Discount (which can be forfeit if a claim is made). Double check that your comprehensive cover does include injury to the policyholder (or take Personal Accident insurance as well).

Whatever insurer and cover you choose to make you legally compliant and reduce (not remove) your risk, be aware the insurance business model has reams of small print, one-sided principles, conditions and exclusion clauses, far too long and complex for most policyholders to fully digest.

'The result can be summed up in a quick read of this single phrase: "They Win, You Lose. Whatever the circumstances. That's what makes insurance companies one of the biggest piggy banks in the economy. When you insure it, it will cost you the annual premium. If you claim it will also cost you the so-called "excess" of about $h50,000, before any repair is made and before the insurance company will pay the balance. Over all life time of insuring, the great majority of policyholders will pay more in premiums than they will ever claim in compensation. They will always pay in advance.

They will never get a refund. What you are doing is: first, complying with a legal requirement; second, spreading major financial shocks (with a smaller but still definite loss); third, getting some peace of mind by protecting yourself against unaffordable losses big enough to change your life - damages you don't have the means to meet or rectify. In principle, insurance only covers the customer, not the victims, against loss. So, the victim must first take the culprit to court and win an award which inflicts a "loss" on the culprit. So, in Third Party claims, proving "fault" is mandatory. That can be an expensive process, with an uncertain outcome, and it can take five years! But it is only if a High Court Award of Liability and Quantum orders the culprit to pay that the culprit will have suffered a personal loss, at which point, and not before, his third Party insurance will be obliged to pay on his behalf. Another possible scenario is that an owner-driver with Third Party cover is involved in an accident that does not involve outsiders, but in which his passengers — often his wife and children, are seriously injured.

How insurers determine your premium rate

The Court of Appeal recently settled a 15-year old dispute in which the Insurance Regulatory Authority (IRA) was seeking to set minimum premium prices for motor vehicle insurance. The appellate court upheld the High Court's decision to bar the regulator from implementing the 2009 in guidelines in which IRA was seeking to set the minimum premium at seven percent of the value of a vehicle. We look at what goes into determining the level of premiums that insurers charge customers for different classes of insurance such as motor, home and health and life insurance.

What is insurance premium?

An insurance premium is the specified amount that insurance customers, called policyholders, agree to pay in exchange for cover. The payment guarantees them

financial compensation for damages or losses they may incur. Insurers use the premiums they collect to provide financial compensation to policyholders in an event of a claim. Depending on the type of policy, an insurance company may require premiums to be paid monthly, quarterly, semi-annually, or

yearly. How are insurance premiums calculated? There are several factors that influence the price insurers charge customers as premium. Generally, the cost of insurance policy depends on the customers' risk, which in turn reflects how likely they are to make a claim. The more risks they pose to the insurer, the higher their premiums will be. The premium level also depends on the value of whats being insured since items with a higher value will generally cost more to repair or replace. Depending on the type of coverage, insurance companies use different parameters in calculating premiums. They employ actuaries to determine the likelihood of a claim. Depending on the type of cover being sought, information such as the age of the policyholder, where they live, their employment, medical history and habits such as smoking may be of interest to insurers. Each insurer makes its own commercial decision when deciding how much to charge each person who wants to cover certain risks. Therefore, the cost varies per insurer.

What factors are considered when calculating insurance premium?

Insurers rely on data to price premium and this therefore varies from person to person

even if the risk is similar. For example, when covering a vehicle, insurers will review ones claims history, the make and model of the car, the value of the car, or even take into account if one has been at fault in other accidents or penalised for other traffic offences. The insurer will also consider the drivers age and sex. This is because, based on data gathered over time, some demographics point to higher likelihood of claims than others. Many young drivers often pay the highest motor insurance rates. Other key factors influencing the premium price includes how much cover the customer wants, Comprehensive policies require higher premiums than basic plans but off ebroader protection.

For life insurance, such data usually determines the sum assured—the fixed amount thats paid to the nominee of the plan in the event of the policyholder's death. Generally, younger people with a good medical history and healthy habits will be assigned as higher sum assured.

Why do insurers change the premium prices?

According to the Association of Kenya Insurers AKI, one's premiums likely to change each time they renew their insurance, even if their personal circumstances do not appear to have changed. AkI explains that this is because premiums are affected by many factors, including the cost of doing business and changes to the way ones risk has been assessed.

Customers may be rewarded for the changes they make to reduce their risk, such as installing a car alarm or car tracking system, installing smoke detectors or security cameras in their homes. A higher claims ratio than initially assessed may prompt an insurer to reassess a customer's risk and increase the premium. However, other factors beyond the customer may make the prices go up. For example, insurers will often adjust premiums to keep pace with inflation

How can a customer lower their premiums?

Most insurers offer a discount to customers who pay their annual premium upfront, rather than in monthly installments, especially for general insurance, which is annual.

This is because one-off payments lower administrative costs and allow them to invest longer for a return. Customers can also lower their premiums by increasing their excess. This means agreeing to take on a certain proportion of the risk. Some insurers may offer discounts such as no claims discount or if one has more than one policy with the same company.

Main reasons that end a car's life

What is the leading cause of vehicles being consigned to the scrap heap?

Age or accident, engine, other mechanicals or bodywork? Was it ever thus, or have things

changed? The bottom line for arriving at the graveyard is the same for almost all cars, vide: when they are worth more dead than alive. Technically, damage can be repaired, parts can be renewed and the whole vehicle can be restored indefinitely. Ata cost. If the spend will be greater than the rescued car's market or utility or sentimental value, it's time for a crusher (and recycled materials) or a scrap merchant (whose very existence proves that some bits last longer than others). The deadline may be set by the owner or by roadworthiness regulations; usually both. Those principles have not changed. But technology has. Bodywork used to outlast engines, because the body was made of heavy-duty steel sitting on a chassis frame of railway track strength and durability. design was relatively crude, the materials had an "any old iron" standard, fuels had few additives and lubricants were unsophisticated "oil".Even the most enormous, languid, low-rev options needed an overhaul at around 100,000 kms (and a "decoke" in the interim). Remember that the first cars had to be serviced every day (!) and for half the time between then and now needed an oil change every 2,000 kms (today that figure can be as high as 20,000, but my strenuous advice is: not in Kenya). Today, engine designs, materials, fuels and lubricants, precision tolerances etc are much advanced and their "first" life has doubled, And some can even double that, depending on who made them and the life they lead. Modern car bodies are now mostly monocoque (no chassis at all!), made of steel less

than half the gauge of their predecessors, and on top of that they are encouraged to

“crumple” for safety reasons. Accident damage today is much more thorough, compensated by survival and some medical savings. All the other stuff~ transmissions, suspensions, ignition and induction systems, cooling apparatus, batteries, brakes, steering racks, glass, upholstery, dials and switches, rust resistance or prevention, paint chemistry etc—are a mixed bag of technological and economic trends. Computerised management systems are the latest advance that help prevent things going wrong but also add to things that can go wrong themselves.

Mps top the list of Sh 64 bn Sacco loan defaulter

MBs and former lawmakers top the list of Saccos loan defaults that crossed the Sh60 billion mark as one of Kenya's wealthiest cooperative society struggles under the weight of unpaid loans. Data from Sacco Societies Regulatory Authority (Sasra)—the industry regulator— shows that Parliamentarians Sacco had a default ratio of 29.73 percent ofits loan book or $h939.2 million in the year to December. The Sacco, whose 637 members are drawn from MPs, governors, former lawmakers and the presidency, is suffering from its juicy loan deals offered to Kenya's best-paid workers. At 29.73 percent, the MPs’ cooperative has one of the highest default rates among the top Saccos, with smaller ones like ACK Uthiru Parish Co-operative Society having a non-

performing ratio of 97.92 percent, Gikomba Market-based B-Smart (88.03 percent) and another church-focused Sacco Pefa at 71.8 percent. Overall, non-withdrawable deposit taking (NWDT) Saccos like the MPs’ cooperative had a default ratio 7.12 percent or Sh7.57 billion and the ones that deposits are withdrawn was at 8.66 percent or $h5649 billion—pushing the total non-performing loans to $h64.06 billion. The window by the Parliamentarians Sacco allowing members to escape the requirements for loans to be deducted from their salaries or check off egged on its defaults, said a source familiar with its workings, arguing that it has left the debt repayments at the discretion of the lawmakers. The Sacco, where a significant share of its members top a monthly salary of over Sh1million, has generous credit packages, including an instant mobile loan of up to '$h400,000 and other products capped at $h20 million. Universities fail to remit Sh958m Sacco deductions. This has widened the exposure of the MPs’ Sacco whose membership is known for lavish lifestyles with some flaunting luxury cars and mounds of cash. The large salaries, perks and ostentation of MPs drew attention to weeks-long protests among the young population over proposed tax hikes in the Finance Bill 2024. Sasra requires Saccos to keep NPLs ratio—the proportion of loans for which no interest or principal has been received for at least three months—at not more than five percent for stability given that co-operatives loan to members from deposits.

Kenyan MPs are among the best-paid legislators in the world, with a monthly pay of Sh710, 000 as well as higher perks to pay for their cars and other allowances—easily pushing their salaries to over Sh1 million. That would guarantee them more than 13 times the average wage of Sh74,500 in Kenya's private sector. The average loan per member at Parliamentarians Sacco stood at $h4.96 million or 45 times larger than the industry average, reflecting its status as the wealthiest cooperative society under Sasra control. The loans limit for the Sacco are subject to three times one’s savings for deductions through checkoff. Non-check-off borrowers are allowed up to 2.5 times their savings, a gap that exposes the Sacco to defaults. Information available on the Sacco’s website indicates the loans are “recoverable within the parliamentary term, in particular the loan must be below or equal to the shares by the end of the term. This condition adds to the twist of the significant share of non-performing loans at the Sacco. Over half of 357 Saccos or 189 cooperatives under Sasra had loan default rate of over 20 percent in an economic setting that has seen firms lay off staff, a trigger for loan defaults in company-backed Saccos. The soft economy has hurt the cash flow of traders, notably small businesses that are linked to Saccos such as B-Smart--which draws most of its members from Gikomba Market. Saccos drawing core members from churches, farming groups and matatu business also Made it to the list of co-operatives with high defaults.

Safaricom taps additional Sh15 billion sustainability loan

Safaricom taps additional Sh15 billion sustainability loan. Telecommunications operator Safaricom has tapped an additional Sh15 billion to double its sustainability-linked loan from a consortium of local banks to $h30 billion. The additional financing, disclosed in the telco's latest annual report, is the second tranche of the facility, the proceeds of which will be used to implement the company's sustainability agenda. Safaricom taps additional sh15 billion sustainability loan. Telecommunications operator Safaricom has tapped an additional Sh15 billion to double its sustainability-linked loan from a consortium of local banks to $h30 billion. The additional financing, disclosed in the telco's latest annual report, is the second tranche of the facility, the proceeds of which will be used to implement the company's sustainability agenda.

Revealed: Sectors contributing biggest corporation taxes

Financial services and ICT sectors continued to control more than half of corporate income taxes (CIT) paid to the Kenya Revenue Authority (KRA) last financial year ended June, pointing to relatively high profitability and compliance levels. Fresh data from KRA shows the two sectors accounted for about Sh141.2 billion, or 51 percent, of the $h276.9 billion taxes on corporate earnings. The financial and insurance sector, largely commercial banks, contributed more than a third (38 percent) of the total corporate income taxes wired to the KRA after remitting about $h96.9 billion in the review period. Kenyan insurers are still losing marine insurance business to foreigners despite the law compelling all cargo imports to be covered locally. Local insurers say they are yet to hit even 10 percent of the marine insurance market as many imports come in with insurance from market of origin.

Business leaders complained of increased taxation pressures, including doubling of value added tax on fuel to 16 percent and implementation of 1.5 percent housing levy on gross payrolls of employees which is matched by employers, as key drivers of operating costs. Firms had earlier also complained of a rise in electricity bills and costly raw materials as a result of lingering global supply constraints amid a weakening shilling which piled pressure on input costs. The manufacturing sector, which was third in CIT contribution the prior year, dropped out of the top three contributors to the corporation taxes in the year ended June 2024. Goods makers said during the review year that they were forced to take a hit on earnings after failing to pass the entire cost of production onto consumers.

Treasury defends affordable housing program in court

State plan to relax rules on affordable houses sale blocked Among the petitioners are Dr Magare Gikenyi, Senator Okiya Omtatah and Trade Union

Congress of Kenya, who argue that the Act is a threat to the Constitution.The petitioners have also sought the quashing of the Government Financial Management (Kenya Slum Upgrading, Low Cost Housing and Infrastructure Trust Fund) Regulations and for the government to be compelled to refund the amounts already collected from Kenyans. The government told Justices Olga Sewe, John Chigiti and Josephine Mong'are that the Affordable Housing Act, 2024 was not enacted in a vacuum but at the backdrop of asustained public discourse and judicial intervention highlighting the need for mobilisation of adequate resources to ensure the right to affordable housing is actualized Through former Attorney General Githu Muigai, the government said soon after the High Court declared the housing levy illegal, the State sought to comply with the court's directive and also satisfy the constitutional requirements to provide adequate housing. He said thereafter, the government engaged Parliament to come up with necessary legislative mechanisms for enactment of the Affordable Housing Act. The levy is imposed to raise funds that will be used to enable all citizens have a measure of equitable access to decent affordable housing," Prof Muigai submitted. CS Treasury John Mbadi defended the appointment of Kenya Revenue Authority (KRA) Commissioner General as collector of the revenue, saying it was not unique as it happened with the Road Maintenance Levy Fund Act and Petroleum Development Lev Act.

What ails affordable housing project. The government also dismissed claims that the housing levy amounts to double taxation particularly on individuals who have taken out mortgages prior to the Act. A mortgage is purely contractual. It is also not true that a majority of the Kenyans are servicing mortgages as the petitioners allege," Senior Counsel Kiragu Kimani submitt On whether the Bill was subjected to public participation before it was enacted, the government said there was direct participation through memoranda and submission to Parliament by members of the public, indirect participation through debate, amendments and proposals done by the members of Parliament.

Why Kenyan insurers are losing Marine business to foreigners

Kenyan insurers are still losing marine insurance business to foreigners despite the law compelling all cargo imports to be covered locally. Local insurers say they are yet to hit even 10 percent of the marine insurance market as many imports come in with insurance from market of origin. Apart from weak enforcement of the law to domesticate marine insurance, underwriters have also contributed to the problem by opting to front additional risk to foreign players instead of co-insuring with their counterparts in the country. These practices contravene the changes that were made to the Insurance Act, requiring all marine cargo imports to be locally insured starting January 1, 2017. Marine insurance covers risks such as total loss of package, explosion of the vessel, piracy, natural perils and incorrect packaging, protecting importers and exporters from loss and giving financiers the comfort to lend to businesses. Insurance Regulatory Authority (IRA) data shows marine and transit insurance has been growing, with premiums hitting Sh4.41 billion last year, a 5.2 percent growth from $h4.19 billion in the preceding year and 63.3 percent rise when compared with Sh2.7 billion in 2016 just before the directive. Insurers say they are only seeing a few single imports worth billions of shillings. Many imports are coming in with insurance from the countries of origin given that the local industry has not done much in educating importers on the implication of such cover. One of the major limitations is usually that such cover excludes any risks beyondthe port. Five insurers accounted for 55.4 percent or $h2.44 billion of the marine and transit premiums at the end of last year, with Geminia Insurance and Britam General taking top two spots with a market share of 14.49 percent and 13.89 percent respectively. Geminia insurance, Mayfair Insurance and ICEA Lion General followed with market

shares of 11.47 percent, 8.88 percent and 6.63 percent respectively, leaving 27 other insurers in the marine business with 44.6 percent.

Regulator stopped from fixing car insurance prices

The Court of Appeal has blocked the Insurance Regulatory Authority (IRA) from setting minimum premium prices for motor vehicle insurance, saving customers from a near doubling of underwriting fees. The appellate court found that the motor insurance guidelines issued in 2009 by the TRA, which set the minimum premium at seven percent of the value of a vehicle against the prevailing industry minimum of four percent, were irrational, unreasonable, and disproportionate. The decision comes as a relief to motor vehicle owners, who will remain free to buy insurance from firms offering the lowest premium rates. The High Court had nulliied the 2009 motor insurance guidelines, arguing that the regulator had no role is fixing prices. Although the appellate court found that it was within the statutory powers of the insurance regulator under section 3A of the Insurance Act to issue the guidelines, it affirmed the High Court's decision blocking the implementation of the minimum premiums. Why importers face losses on impasse on insurance processing fees Justices Mohammed Warsame, Sankale ole Kantai, and Pauline Nyamweya said the IRA did not provide any evidence of monopolies in the insurance sector to justify the setting of premium prices. From the foregoing analysis, it would have been more rational, reasonable, and less costly for IRA to prevent a crisis or mitigate its impact, than to directly regulate the supply of insurance services through price fixing, especially given the likely market effects, and that no market justification was provided by IRA for this method of regulation said the judges. The Commission on Administrative Justice (CAJ) or the Ombudsman challenged the Motor Insurance Underwriting Guidelines, arguing that fixing prices would leave motor vehicle insurance in the hands of a cartel of big industry players. The Ombudsman argued that smaller firms are only able to survive by charging lower premiums and should therefore not be forced to charge the same prices as their bigger rivals. According to CAJ, the guidelines effectively constituted price fixing, supported monopolistic and cartel behaviour, and outlawed competition and the free interplay of market forces. In a judgment in March 2017, then High Court judge John Mativo agreed with CAj and quashed the guidelines. The Attorney-General and the IRA appealed the decision, saying that the guidelines were not a strategy to restrict competition. The IRA had in response argued that a number of motor vehicle underwriters could collapse if minimum premium charges were removed. The regulator added that the price floors were introduced after several motor vehicle insurers faced collapse, having been undercut by competitors without considering that insuring some classes of vehicles is riskier than others, or that the premiums were not commensurate with the risks covered. IRA warn banks selling non-existent insurance. The insurance industry watchdog argued that in 2008 the insurance industry made a Shl.161 billion loss, prompting it to introduce measures to avoid further financial damage to firms. Last year, the motor segment returned an underwriting loss of h.92 billion. The IRA insisted that it acted lawfully in fixing the minimum premium rates, and that the move had boosted the strength of motor vehicle insurers who now stand a lower risk of collapsing. The IRA further said the guidelines were not only made lawfully and within its powers but also in the best interest of the wider public. The court heard that the guidelines stabilized the insurance industry by significantly reducing the risk of collapse of insurance companies and increased business and the performance of the insurance companies.

Kenya venture capital firm uncap unveils Sh 4.3bn SMS fund

Kenya-based venture capital firm Unconventional Capital (Uncap) has rolled out a new Sh4.3 billion (€30 million) fund to support early-stage small and medium enterprises (SMEs) on the continent. The fund is expected to invest up to Sh14.4 million (€100,000) in each qualifying recipient business, drawn from the sectors of agribusiness, trade and logistics, climate resilience, and financial inclusion. The financing is expected to be disbursed to the startups in the form of non-collateralised debt- to be paid back from the businesses' future revenues.

Uncap is expected to select beneficiaries by assessing their growth potential, business models, and their ability to generate revenues. The beneficiaries must be registered as limited liability companies in Kenya, Rwanda, Uganda, and Nigeria and have at least two years of operations as a minimum. The business must also have reached at least Shi1.5 million ($80,000) in revenues over the past year. The firm says it is seeking to offer flexible alternative financing to growth captive sectors underserved by traditional sources. "SMEs account for about 90 percent of Africa businesses, yet many face challenges in raising capital. The inefficiency of Africa capital markets in effectively supporting SMEs, coupled with limited visibility to a broad investor base, continues to hinder access to essential funding for SMEs across the continent," Uncap Managing Partner . The venture capital firm is looking to differentiate itself from peers by offering a non-dilutive, revenue-based financing model to allow SMEs to access growth capital without giving up equity/ownership or collateral. The fund is backed by key global institutions including the Bill & Melinda Gates Foundation and the Bayer Foundation and has collaborations with entities such as the German Federal Ministry for Economic Cooperation and Development (BMZ).

Revealed: Half of firms fail to pay corporate tax

Nearly half of active companies that filed annual returns in the year to June did not pay taxes on corporate earnings, pointing to deepening losses and elevated prevalence oftax avoidance schemes. Statistics obtained from the Kenya Revenue Authority (KRA) show that 171,585 out 341,793 firms which filed tax returns for the year ended June paid up their fair share to the taxman, reflecting a compliance rate of 50.2 percent. The taxman has recently stepped up a crackdown on evasion amongst the super-rich who usually use sophisticated accounting techniques that make it difficult to trace their wealth, including offshore tax shelters.

Analysis of KRA data from the financial year starting July 2020 and the year ended June shows that the gap between firms that file returns and those who paid corporate income tax (CIT) has steadily narrowed on the back of intelligence-led audits and prosecution of tax cheats. The KRA received $h276.94 billion in corporation taxes, remitted quarterly, in the review year ended June 2024, a rise of 4.98 percent over Sh263. 8ibillion the year before.

The growth in corporate income receipts, charged at the rate of 30 percent of corporate earnings, was slowest since the financial year ended June 2021.

The compliance rate has jumped from 15.7 percent from June 2021 to the current 50.2percent of firms that filed annual returns.

Revealed: Sectors contributing biggest corporation taxes.The trend is a pointer the taxman could be gradually catching up with the firms reporting losses as a tax avoidance strategy, a gap that the Treasury has since 2020 been seeking to plug by enforcing a minimum tax on corporate sales.

KRA is investing in resources to collect and analyse intelligence to identify and addresstax evasion schemes. Companies that deliberately evade taxes are subject to investigations and potential prosecution," Commissioner for Domestic Taxes Department Rispah Simiyu told the Business Daily via email. Both third-party and internal data are used to identify businesses that are not adhering to tax laws. Audits and compliance checks are conducted to address non-compliance.

The KRA is also exploring integration opportunities with key stakeholders to enhance the effectiveness of information use for improving tax compliance"

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