

THE RETAIL TRADE ASSOCIATION OF KENYA (RETRAK) SUBMISSIONS ON THE FINANCE BILL 2025

Wambui Mbarire

THE RETAIL TRADE ASSOCIATION OF KENYA, OJIJO PLAZA OFF OJIJO ROAD

CEO@RETRAK.CO.KE, 0745786191

RETRAK Tax Policy Proposals Relevant to Retailers and Consumers - Kenya 2025

FINANCE BILL

No.	ISSUE	WHAT NEEDS TO BE DONE	JUSTIFICATION
1	Inflation adjustment Formula	Deletion of paragraph 2 of Part 1 of Schedule 1 (Rates of Excise Duty) on the adjustment of specific rate for inflation at the beginning of each financial year, in accordance with the formula specified therein.	This will ensure predictability in pricing for retailers and help stabilize prices for consumers. Retailers can plan better without sudden annual excise adjustments.
2	Repeal of Section 34(1) (c), (d), and (g)	Amend the Third Schedule to reintroduce final withholding tax treatment for qualifying dividends and interest and affirm fringe benefit tax rate.	Final tax treatment prevents multiple taxation, protects investor returns, and encourages retail investments while reducing compliance ambiguity for retailers.
3	Withholding tax on deemed dividend adjustments	Exempt from deemed dividend amounts already subject to WHT and make excess WHT refundable or utilizable.	Reduces triple taxation, enhances tax fairness and encourages capital inflows and services from related parties important to retail development.
4	Timelines for Objection Review and ADR	Extend Commissioner's decision period to 90 days and reduce ADR resolution window to 60 days.	Provides retailers more time for fair review while expediting ADR processes, reducing legal costs and business disruptions.
5	Credit adjustment vouchers (CAVs) & Refunds under old VAT Formula	Introduce provisions for refunds arising from pre-2019 VAT formula.	Allows recovery of locked working capital especially for manufacturers and exporters

			supplying retail chains, aiding cash flow and stock replenishment.
6	Misalignment of VAT and TOT thresholds	Align TOT and VAT thresholds gradually from KES 5M to KES 25M over three years.	Simplifies tax compliance for MSMEs in retail, encourages transition to formalization and minimizes tax burden on low-margin businesses.
7	WHVAT and refund-prone taxpayers	Reintroduce exemption from WHVAT for businesses in continuous VAT credit positions.	Unblocks cash for retail distributors and resellers (e.g. petroleum dealers), improving liquidity and keeping businesses open.
8	Double taxation on excisable packaging materials	Amend Section 14 of the Excise Duty Act to allow input offset for packaging materials.	Reduces costs for manufacturers and retailers of excisable goods, stabilizes shelf prices for consumers, and promotes local competitiveness.
9	VAT on Digital Services	Clarify the scope and application of VAT on digital services to enhance compliance.	Avoids confusion for retailers offering online services and protects consumers from unintended price increases.
10	Import Duty Adjustments	Publish detailed lists of duty changes and provide guidance for retailers.	Retailers relying on imports can adjust pricing strategies early to avoid abrupt changes to consumer prices.
11	Introduction of excise duty on ceramics, glass etc: Tariff headings 69.10; 70.05; 69.07	Remove the introduced excise duty.	Introduced excise duty increases capex spending curtailing growth of retailers.

12	CGT rates reduction from 15% to 5% but Nairobi International Financial Centre Authority (NIFCA) must certify that a firm has invested at least KES 3 billion in at least one entity incorporated or registered in Kenya	Reduce the investment threshold to KES 1 billion	This will attract more FDI in the country. The threshold of KES 3billion limits access to this incentive.
13	Railway development levy increased to 2% from 1.5%	Reduce the Railway Development Levy to 1%	This will help in reducing the cost of imported capex and improve affordability of consumer goods.
14	WHT was introduced on supply of goods to a public entity at a rate of 0.5% for resident persons	Remove the withholding tax	This will encourage retailers to be of service to public entities
15	The Act amended section 47 (1)(a) of the TPA to provide that applications for tax refunds resulting from overpaid tax should be made within five years for income tax and 12 months for all other taxes.	Allow for automatic offset of overpaid taxes with future tax liabilities.	To remove administrative burdens of following up overpaid taxes.