

**TAXPAYER GUIDELINES ON ZERO-RATING OF TEA/COFFEE LOCALLY
PURCHASED FOR PURPOSE OF VALUE-ADDITION PRIOR TO
EXPORTATION**

The Finance Act, 2023 introduced Paragraph 28 to Part A of the Second Schedule to the VAT Act, CAP 476 which zero rates the supply of tea and coffee locally purchased for the purpose of value addition before exportation subject to approval by the Commissioner-General.

This guideline specifies the procedures and requirements to be followed by taxpayers for zero rating of locally purchased tea and coffee by the Commissioner.

1. A taxpayer will fill and submit their application form to their Tax Service Office (TSO) in the prescribed form (*Appendix I*) providing all the required information and supporting documentation specified therein.
2. Upon receipt of the application, the TSO may arrange to visit the premises of the applicant to confirm the details/information provided by the applicant.
3. Where the application does not meet the requirements, a rejection notice shall be issued, specifying the reasons for the rejection.
4. Where an application is reviewed and it meets all the requirements, the Commissioner will then authorize issuance of a security bond for purchase of the tea/coffee.
5. The taxpayers shall obtain the security bond (*Appendix IV*) in four original documents together with specimen signatures form (*Appendix V*) and a guarantor's cover letter and submit to the TSO.
6. Upon verification and witnessing of the security bond by the TSO, the Commissioner will issue an approval for that particular purchase.
7. Bond documents shall be distributed as follows:
 - a. Original and duplicate document is filed at the TSO office;
 - b. Copy of duplicate to Corporate Tax Accounts Management Division(CTAMD);
 - c. Triplicate to the applicant (principal); and
 - d. Quadruplicate to the guarantor (bank or insurance company).

8. The approval issued by the Commissioner shall only apply to the purchase transaction(s) specified in the application.
9. Every purchase transaction falling under paragraph 28 of Part A of the Second Schedule to the VAT Act, CAP 476 shall require a new application for approval by the TSO.
10. Following export of the tea/coffee, the exporter shall submit the following documents for bond cancellation;
 - a. Tea board entry/AFA entry; and
 - b. Certificate of Export.
11. The TSO shall review the documents and when satisfied, issue the exporter with an approval authorizing cancellation of the bond.
12. For any inquiries, please contact your account manager at the TSO.

Note:

Section 2 of the Tea Act, 2020 defines the following terms, which will be applicable in the review of applications for zero-rating of tea:

- **"value addition"** means improvements on made tea through packaging, blending, flavouring, tea extracts, tea aroma and branding.
- **"made tea"** means the derivative from tea leaf through a manufacturing process.



Appendix I: Application

**APPLICATION FOR APPROVAL OF ZERO-RATING TEA/COFFEE
LOCALLY PURCHASED FOR VALUE-ADDITION PRIOR TO
EXPORTATION**

Name of Applicant:PIN:

1. Name of supplier PIN

.....

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2. Product to be purchased

Tea

Coffee

3. Type of tea/coffee

.....

4. Quantity of tea/coffee purchased (Kgs) Value (Kshs)

.....

5. Specify type(s) of value-addition to be undertaken.....

6. Brand details of the value added product.....

7. Physical location of the factory/warehouse.....

8. Documents to be attached;

- Tax compliance certificate.
- Export license from Tea Board of Kenya or Agriculture & Food Authority.

Name:

Position:

Signature:

Tel. No.

Date:



Appendix IV: Security Bond

KRA REF: (GVATSB/...../...../...../.....)

DOMESTIC TAXES DEPARTMENT

**BOND FOR PROTECTION OF VALUE ADDED TAX (VAT) FOR TEA/COFFEE
LOCALLY PURCHASED FOR PURPOSE OF VALUE-ADDITION PRIOR TO
EXPORTATION**

I/We**APPLICANT ABC LTD....PIN...XXXXXXB.....**
of **P.O BOX.....PHONE NO:.....**
EMAIL ADDRESS.....
and
GUARANTOR.-.....PIN- PXXXXXW.....
of **P.O.BOX.....PHONE NO.....**
EMAIL ADDRESS.....

Hereby acknowledge that I/we am/are bound to the Commissioner of Domestic Taxes in the sum of.....shillings to be paid to the Commissioner of Domestic Taxes for which payment I/we bind myself/ourselves jointly and severally and also my/our heirs, executors, administrators and assigns and each of them in respect of

Dated thisday of....., 20.....

WHEREAS the above namedhas/have been granted an approval to locally purchase tea/coffee at zero-rate for value addition prior to exportation and whereas the above named is/are required to pay the value added tax (VAT) thereon in accordance with the provisions of the VAT Act, CAP 476 not later than the twentieth day of the month next succeeding that in which the VAT becomes due or within such other time as may be determined by the Commissioner.

Now the condition of this obligation is such that if the above named shall pay the full tax due or charged within that time then this obligation shall be void but otherwise shall be and remain in full force.

Signed, sealed and delivered by The
above named **APPLICANT ABC
LTD}**

In the presence of..... of
Domestic Taxes Department}

Signed, sealed and delivered by
here

The above named...**GUARANTOR.....}**

In the presence of..... of
Domestic Taxes Department}

sign and stamp

Approved by:
For Commissioner Domestic Taxes

Stamp here



Appendix V- Specimen Signature Form

DOMESTIC TAXES DEPARTMENT
SECURITY BONDS
SPECIMEN SIGNATURES FORM

FIRM: ----- PIN: -----

TEL.NO. ----- E-MAIL -----

| FULL NAMES OF AUTHORISED PERSON(S) NO./P.PORT NO./P.ATTORNEY NO.) | RANK/DESIGNATION AND PIN | SIGNATURE |
|--|-------------------------------------|------------------|
| | | |
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| | | |
| | | |
| | | |
| | | |

AUTHORISED BY: ----- **SIGN:** ----- **DATE:** ---

(Firm Director's name & PIN)

WITNESSED BY: ----- **SIGN:** ----- **DATE:** -

(DTD Officer's name & P/No.)

Company Seal:

NB:

1- To be completed in duplicate

Original – KRA