GUIDELINES TO TAXPAYERS ON THE OPERATIONALIZATION OF THE SPECIAL ECONOMIC ZONE PROGRAMME

A. Guidelines for Special Economic Zone (SEZ) Entities

These guidelines apply to taxpayers licensed by the Special Economic Zone Authority (SEZA) as **SEZ Developers, Operators, or Enterprises** (collectively referred to as SEZ entities).

To qualify for tax incentives under the Income Tax Act (Cap 470), Value Added Tax Act (Cap 476), and Excise Duty Act (Cap 472), an SEZ entity shall:

1. Hold a valid SEZ license issued by SEZA at all times.
2. Operate within a gazetted SEZ, recognized jointly by SEZA and the Kenya Revenue Authority (KRA) as a custom-controlled zone.
3. Obtain a facility code (import/export code) from KRA – Customs & Border Control Department to access the Integrated Customs Management System (iCMS).
4. Update iTax registration details linked to their KRA PIN to:
   a) Change status to "**SEZ Company**" to access preferential corporate tax rates.
   b) Retain only obligations relevant to SEZ entities. Apply for VAT deregistration where applicable.
5. Upload a valid SEZ license **annually** on iTax to maintain "SEZ Company" status.
6. Onboard on eTIMS and issue electronic tax invoices for all supplies of goods and services.
7. Notify the Commissioner in writing of any intention to wind up or changes affecting SEZ status.

Note:

- Where an SEZ Developer or Operator undertakes operations both inside and outside the SEZ, only income derived from SEZ operations qualifies for preferential corporate tax rates.
- The Commissioner shall recoup any incentives (Income Tax, VAT, Excise Duty) misapplied or disposed of inconsistently with the purpose for which they were granted.

B. Guidelines for Persons Transacting with SEZ Entities

These guidelines apply to non-SEZ persons, whether within or outside gazetted zones, who transact with SEZ entities.

- Goods and services obtained from SEZ entities are treated as imports.
- Goods and services supplied to SEZ entities are treated as exports.

Purchasers from SEZ Entities

A person purchasing goods or services from an SEZ entity shall:

1. Obtain an eTIMS invoice for all purchases.
2. Enter goods purchased using the appropriate customs import entry and pay applicable taxes. For excisable goods, obtain an excise license and apply for excise stamps before importation.
3. Pay and remit **reverse VAT** via iTax on taxable services purchased/imported from SEZ entities. VAT-registered persons dealing exclusively in taxable supplies are exempt from charging and paying reverse VAT.

Suppliers to SEZ Entities

A person selling goods or services to an SEZ entity shall:

1. Obtain a valid SEZ license copy from the SEZ entity.
2. Enter goods supplied using the appropriate customs export entry.
3. Generate a TIMS/eTIMS compliant invoice, indicating the SEZ entity's KRA PIN in buyer details.

Note:

- For VAT-registered suppliers, a taxable supply qualifies for zero-rating only where all the above documentation is retained as proof of supply.
- Supplies of hotel accommodation, restaurant, or entertainment services remain taxable at the standard VAT rate, even when provided to SEZ entities.