

GUIDELINE TO TAXPAYERS
APPLICATION FOR PREFERENTIAL CORPORATE TAX RATES

Paragraph 2, Head B of the Third Schedule to the Income Tax Act, CAP 470 prescribes preferential corporate rates of tax for companies: -

1. That constructed at least 100 residential units annually, subject to approval by the Cabinet Secretary responsible for housing.
2. Whose business is local assembling of motor vehicles.
3. Engaged in business under a special operating framework arrangement (SOFA) with the Government.
4. Operating a shipping business in Kenya.
5. Operating a carbon market exchange or emission trading system that is certified by the Nairobi International Financial Centre Authority (NIFCA).

The following Guidelines have been developed to guide the applications for Preferential Corporate Tax Rates registration of qualifying taxpayers: -

1. The applicant shall, three (3) months prior to the end of the accounting period, submit the application for corporate preferential rates through iTax attaching the completed checklist (Appendix I) and all requisite supporting documentation.
2. The Commissioner shall review the application against the checklist and carry out an inspection of the business premises. During the verification, the Commissioner may request for additional documentation.
3. Where the Commissioner is satisfied that the taxpayer has met all prescribed requirements, the application shall be approved. A Preferential Rate Certificate shall be generated and auto-delivered to the taxpayers registered email.
4. Where the Commissioner is not satisfied, the application shall be rejected and a rejection Notice (stating reasons for rejection) shall be auto-delivered to the taxpayer's registered email.

NOTES TO THE GUIDELINES

- i) For a company whose business is local assembling of motor vehicles and has qualified for preferential corporate tax rate:
 - a. The preferential rate shall be 15% valid for 5 years from the year of commencement of operations.
 - b. The effective date is 1st January 2018.

- c. The preferential rate can upon application be extended for a further 5-year period if the company achieves local content equivalent to 50% of the ex-factory value of the motor vehicle.
- ii) For a company engaged in business under a Special Operating Framework Arrangement (SOFA) with the Government:
 - a. For existing SOFA entered into between 1st January 2019 and 25th April 2020, the preferential rates shall, upon approval, apply for the period specified in the agreement commencing the date the SOFA came into force.
 - b. For companies undertaking the manufacture of human vaccines and whose capital investment is at least Kshs. 10 Billion, the effective date is 1st July 2022. The preferential rates shall upon approval, apply for the period specified in the agreement commencing the date the SOFA came into force.
 - c. In the scenarios (a) and (b) above, the preferential rate shall not apply for a period prior to the effective date.
- iii) For a company that constructed at least 100 residential units annually:
 - a. The Preferential rate upon approval by Commissioner is 15% for that year of income.
 - b. The preferential rate is applicable upon approval by Cabinet Secretary responsible for Housing.
 - c. The effective date of the preferential rate is 4th May 2017 as provided under The Statute Law (Miscellaneous Amendments) Act, 2017.
 - d. The Preferential Rate Certificate shall be valid for that year of income for which approval has been granted.
- iv) For a company operating a shipping business in Kenya: -
 - a. The Preferential rate is 15% valid for 10 years from year of commencement of operations.
 - b. The effective date is 1st July 2022.
- v) For a company operating a carbon market exchange or emission trading system that is certified by the Nairobi International Financial Centre Authority (NIFCA): -
 - a. The Preferential rate is 15% valid for 10 years from the year of commencement of operations.
 - b. The effective date is 1st July 2022.



- vi) For the above (i), (iv) and (v),
- a. Where the date of commencement of operations is a date after the effective date of the preferential rate, the preferential rate shall upon approval, apply from the date of commencement of operations for the period specified in the Income Tax Act.
 - b. Where the date of commencement of operations is a date prior to the effective date of the preferential rate, the preferential rate shall upon approval, take effect from the effective date of the preferential rate for the remaining period of the duration specified in the Income Tax Act.
 - c. For Persons whose accounting period began prior to the effective date of the preferential rate and terminates after the effective date, the corporation tax rates shall apply as follows;
 - 30% for income earned prior to the effective date.
 - 15% for income earned after the effective date.



APPENDIX I - PREFERENTIAL RATE CHECKLIST

1. Date of Application
2. Name of Applicant
3. PIN of Applicant
4. Date of commencement of operations.....
5. Activity (select where applicable)
 - a. Constructed at least 100 residential units ☐
 - b. Local assembling of motor vehicles. ☐
 - c. Engaged in business under a special operating framework arrangement (SOFA) with the Government (existing agreement). ☐
 - d. A company operating a shipping business in Kenya. ☐
 - e. A company operating a carbon market exchange or emission trading system that is certified by the NIFCA. ☐
6. Certificate of incorporation (and valid CR12).....
7. Copy of valid Tax Compliance Certificate for
 - a) Company ☐
 - b) Director(s) ☐
 - PIN..... ☐
 - PIN..... ☐
8. In the case of a company that constructed at least 100 residential units annually, the following approvals, where applicable,

No. of units constructed	<input type="checkbox"/>
Approval from Cabinet Secretary responsible for Housing.....	<input type="checkbox"/>
Approval from National Construction Authority.....	<input type="checkbox"/>
Certificate of completion	<input type="checkbox"/>
Certificate of Occupation.....	<input type="checkbox"/>
9. In the case of Motor Vehicle Assemblers, the following approvals, where applicable,

Licence	<input type="checkbox"/>
Kenya Bureau of Standards.....	<input type="checkbox"/>
National Transport & Safety Authority.....	<input type="checkbox"/>
10. In the case of Special Operating Framework Arrangement (SOFA) with the Government,

Copy of SOFA Agreement	<input type="checkbox"/>
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11. In the case of a company operating a carbon market exchange or emission trading system,

NIFCA Certificate.....	<input type="checkbox"/>
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12. In the case of a company operating a shipping business in Kenya, relevant approvals..... ☐



KENYA REVENUE
AUTHORITY

ISO 9001:2015 CERTIFIED

PUBLIC

Acknowledgement of Applicant: I have submitted all the ticked documents above.

Name:Rank/Position:.....

Sign and stamp:..... Date:.....

Tuliye Ushuru, Tujitegemee!