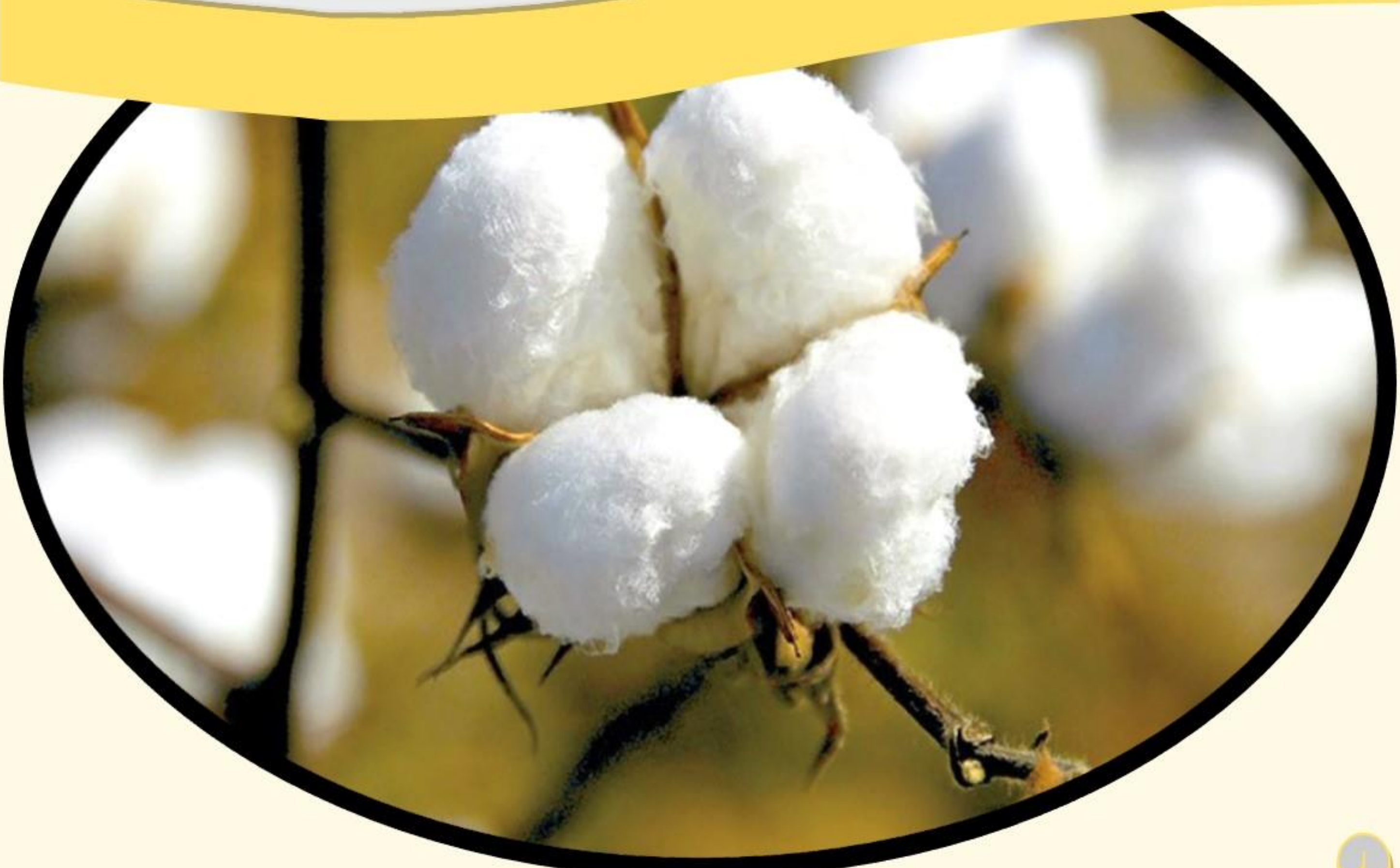
QUARTERLY E- BULLETIN Q2
2019 / 20

Commercialization of BT Cotton



The Finance Act 2019

Upcoming Agricultural Events

February		
24th - 28th	Inclusive Agribusiness: Linking Farmers to Consumers	Nairobi
24th - 28th	Agriculture, Innovation & Technology	Nairobi
March		
2nd – 6th	Trade Training course on food security in an urbanizing society	Nairobi
6th – 9th	The Eldoret Show	Nakuru
14th-16th	The Eastern Kenya show	Embu
24th – 25th	Agri Food Trade & Investment East Africa Summit	Nairobi
29th	International Conference on Agriculture (IC-AGRI-20)	Mombasa
April		
30th – 3rd	GIS & Spatial Analysis for Agriculture and Food Security	Nairobi
13th – 17th	Agri-Business, Enterprise Development & Market Linkage	Nairobi
May		
11th – 22nd	Result-based Monitoring and Evaluation of Agricultural Projects	Nairobi
23rd -26th	The Mt Kenya Nanyuki Show	Nanyuki
30th May-1st June	The Kakamega Show	Kakamega

Commercialization of BT Cotton

The Kenyan Cabinet approved the commercial farming of BT Cotton in Kenya (Genetically Modified Cotton) on 19th December 2019. The approval comes right after successful completion of field trials that were conducted over a period of five years in Tana River, Kirinyaga, Baringo, Kwale, Kisumu and Busia counties.

BT cotton is a cotton variety that has an in-built mechanism to protect itself from caterpillar pests, also commonly known as then bollworm. This protection comes from a scientific process known as genetic modification (GM). The in-built mechanism is from a common soil bacterium also knows as BT (Bacillus thuringiensis).

Advantages of the BT Cotton

Resistance to drought and insect-attack: The country's cotton production has been devastated by pests such as the African bollworm. The dwindling production has intensely slumped our once lively textiles and apparel industry. This GE (Genetically Engineered) crop combines conventionally bred drought-tolerant maize with Bt genes to resist insect attack and drought.

Boost employment opportunities: Commercialization of BT cotton will accelerate the Government's ambition to create over 500,000 jobs in the cotton sub-sector for youth and women. Further, the improved cotton will create garment sufficiency in the country, reducing the importation of second-hand clothes (mitumba). BT cotton will remarkably improve the quality of fabric and access to quality clothes for our population, and even augment the President's initiative of wearing proudly 'Made in Kenya' garments every Friday.

Increased earnings: The commercial farming of BT cotton is set to ensure farmers earn more from the crop through increased production.

Spearhead Kenyan textile industry: It will also boost the manufacturing pillar of the "Big four" agenda, where Kenya seeks to establish itself as a regional leader in textile and apparel production. The decision was informed from the successful completion of confined field trials that were conducted by KALRO from mid-June 2018 to January 2019. The trials were done across the country at specific agro-ecological zones where the full potential of the variety can be expressed.

GDP Growth: The revamped Rivatex annual capacity stands at over 36,420 bales yet the country currently realizes approximately 2,400 bales annually. Current cotton production of 10,000 bales cannot sustain the modernized Rivatex and other Mills in Kenya. Revitalization of the textiles and apparel industry is expected to become a reality with BT cotton. This will increase the manufacturing sector's contribution to the country's GDP from the current 9.2 percent to 20 percent by 2022.

Highlights of the BT Cotton Commercialization

- Increased cotton production from the current 10,000 to 200,000 bales annually
- Increase in area under cotton production by planting 200,000 hectares of Bt-cotton hybrids which yield three times compared to the conventional varieties
- Ensuring farmers get high yielding certified cotton seed certification as opposed to the current poor yielding recycled seed
- Realize the Government's ambition to create over 500,000 jobs in the cotton sub-sector for youth and women.
- Attaining self-sufficiency in lint for the domestic market with surplus lint exported fetching about Kshs 8.75 billion foreign exchange earnings thus saving Kshs 1.2 billion from imports

The Finance Bill 2019, assented to by the President on November 7, 2019 introduces policy and taxation measures for revenue generation in the 2019/20 fiscal year. The proposal to broaden the tax scope introduced by the National Treasury intends to raise Kenya Revenue Authority collections to Sh1.8 trillion and cater for government's expenditure as well as support the Big Four Agenda.

The Finance Act comes into play amid weakening global economy, rising trade tensions, tighter global financial conditions and higher policy uncertainty across many economies. Global economic activity is expected to slow down to 3.2 percent in 2019 from 3.6 percent in 2018 with prospects across countries and regions remaining uneven.

Impact of the Finance Act

Promotion of the Affordable Housing Agenda

- Exemption of the income of the National Housing Development Fund (NHDF) from income tax.
- Exemption of goods supplied for the direct and exclusive use in the construction of houses under the affordable housing scheme approved by the Cabinet Secretary (CS) for Finance from VAT.
- Reduction of Import Declaration Fee (IDF) on inputs for the construction of houses under the affordable housing scheme approved by the CS Finance from 2% to 1.5%.
- Exemption of companies implementing projects under the affordable housing scheme from the application of thin capitalization rules.
- Exemption of the transfer of a house constructed under the affordable housing scheme from the developer to the National Housing Corporation from Stamp Duty.
- Exemption from income tax of withdrawals from the NHDF to purchase a house by a first time home owner.

Removal of Cap on Interest Rates

- Section 33B of the Banking Act has been repealed to remove the cap on interest rates charged on loans offered by commercial Banks. Therefore, banks will be able to set the interest rates for both existing and future loans without any interest restrictions.

Increased Railway Development Levy

- The rate of RDL has been increased from 1.5% to 2% on all imported goods except raw materials and intermediate goods.

Promotion of the Manufacturing Sector

- Inputs for manufacture of motherboards and the supply of locally manufactured motherboards are now exemption from VAT previously vatable at 16%.
- IDF for raw materials and intermediate products imported by approved manufacturers has been reduced from 2% to 1.5%.

Promotion of Plastic Recycling

- Lower corporation tax of 15% for investors operating a plastic recycling plant for the first 5 years.
- Exemption of VAT on services offered to plastic recycling plants and supply of machinery and equipment used in the construction of the plants

Betting/Gaming Industry

- The time of supply for purposes of the excise duty has been defined as the time a person wagers or stakes money on a platform or other medium provided. Excise duty will be charged at the rate of 20% on the amount wagered.

This was however overruled by the tribunal court which indicated that winnings refers to payouts excluding the amount staked.

Increased Import Declaration Fees

- The rate of IDF has been increased from 2% to 3.5% on all imported goods except raw materials and intermediate goods.

Recovery of Withholding Taxes (WHT)

- The Commissioner has been empowered to recover taxes, penalties and interest from withholding agents who do not withhold taxes as if the taxes were due and payable by the agent. Previously there was no mechanism of recovering these taxes.

Digital Economy Taxation

- The supply of goods and services in the digital economy is taxable. The Act has amended the Income Tax Act (ITA) and the Value Added Tax Act (VAT Act) to clarify and broaden the scope of VAT and Income Tax in the sector. The amendments include the definition of "digital market place" as a platform that enables direct interaction between buyers and sellers through electronic means. The Act has further empowered the CS for Treasury to formulate regulations under the ITA and the VAT Act on the mechanisms of taxing the digital economy.

Mandatory PIN Requirement in Transactions

- The mandatory requirement of PIN has been extended to: The registration and renewal of membership by professional bodies and other licensing agencies; and Registration of mobile cellular pay bill and till numbers by telecommunication operators.
- The Commissioner has been empowered to exempt persons from the compulsory PIN requirement in certain circumstances.

Recovery of Financial Penalties by CMA

- The Capital Markets Authority has been empowered to summarily recover financial penalties on market players who violate laid down rules and procedures so as to promote, regulate and facilitate the development of an orderly, fair and efficient capital market in Kenya.

Other Tax Changes

Value Added Tax

- Zero rating of the supply of agricultural pest control products. Previously, these were vatable at the standard rate of 16%.
- Propane has been zero rated.
- Exemption of VAT on specialized solar equipment subject to approval by the Cabinet Secretary for Energy.
- VAT exemption on supplies made for official aid funded projects has been clarified by defining "concessional loan" to mean a loan with at least 25% grant for a project.

Income Tax

- Income tax exemption for income earned by an individual registered under the Ajira Digital Program for 3 years beginning January 1, 2019 provided that the individual shall pay a registration fees of KES 10,000 to qualify for the exemption.
- Income tax exemption for interest income accruing from listed bonds, notes or other similar securities used to raise funds for infrastructure, projects and assets defined under the green bonds standards and guidelines and other social services with maturity periods of at least 3 years.
- Introduction of corporation tax on demurrage charges. Previously, demurrage charges were only subject to withholding tax, which was final tax.
- Introduction of WHT on reinsurance premiums paid to non-residents. Previously, only insurance premiums were subject to WHT

Excise Duty

- Excise duty on cigars, cigarettes, wines and spirits of undenatured ethyl alcohol has been significantly increased with a view of discouraging consumption of these products as well as increase revenue collection.
- 35% excise duty has been introduced on imported gas cylinders.
- Excise duty on sugar confectionary has also been increased

Proposals Rejected by Parliament

- The increase of Capital Gains Tax (CGT) from 5% to 12.5%;
- Broadening the scope of WHT to include: security services, cleaning services, fumigation services, catering services offered by outside hotel premises, transportation of goods excluding air transport and sales promotion, marketing and advertising services;
- Reduction of the period under which Retirement Benefits Schemes are allowed to withdraw funds from guaranteed funds from 3 years to 1 year;
- Requirement of boda bodas and tuk-tuks to have an insurance cover for passengers and pedestrians;
- Introduction of WHT on repatriation of income from a branch to head office; and
- Empowering of the Commissioner to issue Departure Prohibition Order to the Chief Executive Officer, Managing Director, Company Secretary, Treasurer, Trustee, Resident Director or other similar officer where the entity they represent has unresolved tax liabilities.

The process is set to recruit over 500,000 new taxpayers who have been out of the tax bracket and raise more than Sh60 billion in the 2019/2020 fiscal year.

ECONOMIC INDICATORS

The Consumer Price Index (CPI) increased from 202.94 points in November 2019 to 204.77 points in December 2019. The overall rate of inflation rose from 5.56 per cent to 5.82 per cent during the same period. In December 2019, the Kenyan Shilling appreciated against the major trading currencies except for the Sterling Pound and the SA Rand. The average yield rate for the 91-day Treasury bills, which is a benchmark for the general trend of interest rates rose from 6.65 per cent in November 2019 to 7.17 per cent in December 2019, while the inter-bank rate rose from 4.24 per cent to 6.04 per cent over the same period.

Coffee

MONTH	Volume (Kgs)		Value-USD	
	2019	2018	2019	2018
October	2,540,681	2,493,243	6,367,686.50	7,906,842.60
November	1,116,759	2,334,413	3,620,062.06	8,396,281.76
December	770,824	1,577,042	3,310,132.90	6,225,442.48
Total	**4,428,264**	**6,404,698**	**13,297,881.46**	**22,528,566.84**

Tea

Year		2019	2018
Production		458.85	492.99
Export	Volume	496.75	474.86
	Value (Kshs B.)	117	140
Local Consumption	Volume	40.47	38
	Value (Kshs B.)	16.1	15.2

The total tea production for the year 2019 was 6.93% lower to stand at 458.85 Million Kgs compared 492.99 Million Kgs recorded in the same period in 2018. The total export volume for 2019 was 496.75 Million Kgs compared to 478.86 Million Kgs recorded same period of last year while the export value was Kshs. 117 Billion against Kshs. 140 Billion in 2018. The local tea consumption in 2019 was 40.47 Million Kgs valued at 16.1 Billion whereas in 2018 it was 38 Million Kgs valued at 15.2 Billion.

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