DOING BUSINESS

IN KENYA

The network for doing business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Kenya has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Kenya can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at February 2018.

We look forward to helping you do business in Kenya.

2 – BUSINESS ENVIRONMENT

POLITICAL AND LEGAL SYSTEM

Kenya enacted a new constitution on 27 August 2010, replacing the previous one drawn up at Kenya's independence in 1963.

The new constitution includes a greater separation of powers between the legislature, judiciary and the executive. In addition, the constitution:

- Introduces checks and balances on the executive
- Devolves power on local matters to 47 counties
- Creates a new senate to act as an upper house in parliament
- Lays down minimum quotas for women
- Sets up a new judiciary and screening system for the recruitment of judges and an expansive bill of rights.

There are three arms of government:

- The legislature – this includes the National Assembly and the Senate. The National Assembly controls national expenditure and revenue allocation between the two levels of government. The Senate represents the 47 counties and serves their interests and those of the county governments by debating and approving bills concerning the counties.
- The executive – this consists of the president, who is elected directly by all registered voters for a five-year term and can serve for a maximum of two terms, deputy president and the Cabinet. The president is the head of state and government, the commander in chief of the armed forces and chairs the National Security council.
- The judiciary – this consists of courts and tribunals with the Supreme court at its apex presided by the chief justice who is appointed by the president on the recommendation of the Judicial Service Commission.

The constitution provides for the devolved governments. These are the governments of the 47 counties, which consist of a county assembly, a county executive and a directly elected governor. County governments oversee a range of issues at the local level such as agriculture, health services, public amenities, county trade regulations and development, and county planning and development, among other services they are mandated to provide to local residents.

Devolution is the biggest gain from the 2010 constitution, transforming political and economic governance, and strengthening accountability and public service delivery at local levels. Key development challenges remain, though, including poverty, inequality, and climate change. After faltering in 2008, economic growth resumed, reaching 5.8% in 2016 to place Kenya as one of the fastest growing economies in Sub-Saharan Africa This expansion was boosted by a stable macroeconomic environment, low oil prices, a rebound in tourism, strong remittance inflows, and government-led infrastructure development initiatives. However it decline in 2017 due to prolonged electioneering period.

DOMESTIC MARKET

PEOPLE

The current population of Kenya is 50,475,057 as of Wednesday, February 14, 2018, based on the latest United Nations estimates. Kenya population is equivalent to 0.67% of the population. Kenya ranks number 28 in the list of countries (and dependencies) by population. The population density in Kenya is 90 per Km2 (232 people per mi2). The total land area is 569,140 Km2 (219,746 sq. miles) 26.7 % of the population is urban (13,580,934 people in 2018).The median age in Kenya is 19.2 years.

Swahili is the national language, while English and Swahili are both official languages.

COUNTRY

Kenya occupies an area of 582,646 square kilometres (225,000 square miles) with a population density of 69.5 people per square kilometre.

The capital city is Nairobi.

The currency is the Kenya shilling (KES) which is equal to 100 cents.

THE ECONOMY

AGRICULTURE

The agriculture industry in Kenya remains the most prominent, important and dominant industry. As of 2016, the industry accounted for over 26% of the total GDP, 20% of employment, 75% of the labour force, and over 50% of revenue from exports.

According to the KNBS, the agriculture sector grew by 3.9% in Q3 2016 compared to a growth of 5.5% in the Q3 2015.KNBS attributed this decline in growth to poor performance in the production of tea and coffee that declined by 0.3% and 4%, respectively in the period. The volume of fruit exports also declined by 36.7% during the period contributing to the diminished performance.

According to World Bank, the late onset of Kenya's second rainy season delayed coffee-bush flowering and the subsequent drought will hurt the size and quality of the nation's Arabica crop. The country, being the world's largest exporter of black tea may also miss a target to raise tea output by 25% to 500 million kilograms given the persistence of dry spell that begun in 2016.

Drought has also affected livestock production causing violent clashes amongst pastoralist communities. The National Drought Management Authority reports that the Government may spend more than the KES 21.5 billion it budgeted to support 1.3 million people who are currently facing drought and hunger. In 2016, the Government of Kenya launched the Kenya National Agricultural Insurance Program, which is designed to address the challenges that agricultural producers face when there are large production shocks, such as droughts and floods. The program, which is designed as a partnership between the Government and the private sector, was developed with assistance from the World Bank Group and builds on the experience of similar programs in Mexico, India, and China. One program line will focus on livestock insurance, while another will focus on maize and wheat insurance.

Agricultural value addition has also been identified as having the potential to act as a catalyst for the take-off of Kenya's industrial sector. Agri-business initiatives have received support from the Government. The Government is keen on targeting the youth who are increasingly considering it as a viable commercial venture. In January 2017, following bilateral talks, India extended a KES 10 billion loan to Kenya for agricultural mechanisation.

MANUFACTURING

While Kenya is the most industrially developed country in the East Africa region, manufacturing only accounts for 14% of GDP. According to the World Bank this is attributable to the fact that most of Kenya's exports such as tea and coffee require little or no processing.

Kenya has a manufacturing presence in textiles, food and grain milling, cement production, and oil refining. A large portion of Kenya's manufacturing comes from the informal sector, with homemade arts and crafts being a popular product for tourists and residents alike.

According to KNBS, the manufacturing sector registered a declined growth of 1.9% in Q3 2016 compared to a growth of 3.3% in the similar quarter in 2015.

The manufacture of food products subsector growth was supported by processing of maize meal, wheat flour and milk. On the other hand, growth was constrained by contraction in the production of soft drinks and manufacture of beer and stout. In the manufacture of non-food products, growth was hampered by a decline in the assembly of motor vehicles and cement production.

In January 2017, the Kenya Association of Manufacturers (KAM) launched the Manufacturing Priority Agenda (MPA) 2017 under the theme “Driving industrial transformation for job creation and inclusive economic growth”. The MPA details the need for investment in technical skills, creating a nurturing environment for the Small and Micro Enterprises (SME’s); with. a special emphasis on women and youth enterprises. It also aims to transform Kenya to an export hub thereby increasing the competitiveness for local business.

In a gazette notice dated 28 February 2017, the Environment and Natural Resources Cabinet Secretary announced a ban on plastic bags with effect from 6 months from the date of the notice. KAM cited that this directive would adversely impact manufacturers. According to KAM, the country currently has over 176 plastic manufacturing companies who directly employ 2.9% of all Kenyan employees and indirectly employ over 60,000 people. The Ministry of Industry, Investment and Trade has formulated a policy that will promote local industry through procurement of locally made products.

The Ministry is working with other Government agencies to implement this program. In line with this drive, the ministry in partnership with a textile and apparel firms organised the first ever export quality sale, dubbed ‘Super Sale’ in March 2017. The initiative is under the Export Processing Zones (EPZ) Program and aims to provide Kenyans access to quality clothing at affordable prices (KES 50 to KES 600).

To improve efficiency in the manufacturing sector, the Government has allocated resources towards energy generation and distribution, improving on ease of doing business, security, and revival of strategic industries such as textile, pyrethrum, milk processing, and leather development amongst others. Going forward, the Government shall intensify investment in these areas to unlock the Country’s economic potential.

TOURISM

Kenya’s tourism sector is poised to record positive growth in 2017 as evidenced by growth in 2016.

According to the World Travel and Tourism Council (WTTC) travel and tourism’s direct contribution to GDP was KES 225.9 billion (3.8% of total GDP) in 2015 and was forecast to rise by 4.4% (KES 235.9 billion) in 2016.

In 2016, Kenya hosted over 200 global and continental meetings and high profile conferences. These included the United Nations Conference on Trade and Development (UNCTAD), the Tokyo International Conference on African Development (TICAD), the Global Partnership on Effective Development Co-operation’s High-Level Meeting and the African, Caribbean and Pacific Assemblies Association. This saw Kenya cement its place as a key conferencing destination hub in East Africa.

Kenya is currently attracting investment from the Middle East. In August 2016, investors from the United Arab Emirates including representatives from major airlines and Dubai’s Department of Tourism and Commerce marketing visited the country. Given the investment interest in the country, Kenya Tourism

Board (KTB) has cited that the Middle East and Asia are a priority growth area in terms of Business tourism.

According to the KNBS, the accommodation and food services sector posted a growth of 13.8% in Q3 2016 compared to a contraction of 6.5% in Q3 2015. Visitor arrivals through Jomo Kenyatta and Moi International Airports rose by 16.8% in 2016 totalling to 874,000 compared to 748,000 in 2015.

The significantly improved performance was attributed to downgrading of travel advisories and Government measures including:

- The launching of a multimillion dollar promotional campaign in India targeted towards promoting the country as an ideal tourist destination;

- Removal of Value Added Tax (VAT) charges on National Park fees and capping Kenya Wildlife Service (KWS) Park fees at USD 60 (down from USD 90) for the 2016/17 financial year;

- Establishment of the Kenya Convention Bureau (KCB) in 2016, to cater for business tourists. Mandated with promoting MICE (meetings, incentive travel, conferences and exhibitions) business, the KCB will address a tourism niche that has become the fastest growing segment in tourism in recent years;

- The USD 11.7 million Charter Incentive Scheme that waives landing fees at Mombasa and Malindi airports for all Charter Aircraft. It provides a USD 30 rebate for all disembarking tourists up to June 2018; and

- Scrapping of Visa fees for children under 16 indefinitely from February 2016.

In February 2017, JKIA received a safety certification (Category 1 rating) from the FAA. A Category 1 rating means that Kenya's civil aviation authority meets International Civil Aviation Organization (ICAO) standards. With the Category 1 rating, Kenyan air carriers will be able to apply for the requisite FAA and US Department of Transportation (DOT) authorisation to establish direct flight service to the United States. In Africa, only Morocco, Cape Verde, Senegal, Ghana, Nigeria, Ethiopia, and South Africa have direct flights to the US.

According to BMI, a new cruise ship terminal is reportedly due to open in Mombasa in 2017. Kenya hopes this will boost travel to the country by sea.

To further support the tourism sector, the Government allocated KES 1 billion for Tourism recovery, KES 1 billion for sustaining new markets, KES 600 million for capital lending to hoteliers and KES 100 million for the restoration of Fort Jesus in the 2017/18 budget. The Government also exempted all locally assembled tourist vehicles from VAT.

TRANSPORT

During the financial period 2016/17, the Kenyan Government continued to develop infrastructure at a relatively rapid rate. KNBS reported that the sector grew by 9.3% in Q3 2016 compared to a 15.6% growth the sector posted in Q3 2015.

The slowed growth in infrastructure development was mirrored by reduced consumption of cement from 11% in Q3 2015 to 5.3% in Q3 2016. In Q3 2016, imports of construction materials such as bitumen, bars and steel declined. This was partly due to a considerable reduction in civil works of the Standard Gauge Railway (SGR) from Mombasa to Nairobi.

The SGR launched its final phase in June 2017. The Government's focus on improving transport infrastructure (both by improving domestic infrastructure as well as links to the country) and the effort to facilitate foreign companies' ease of doing business are reflected in the Government's port, rail and road network expansion plans. Substantial Government spending on infrastructure alongside foreign investment flows are sustaining this high level of growth. Roads The Ministry for Transport and Infrastructure cited the high cost of land compensation, low contractor capacity and vandalism as major challenges in infrastructure development in 2016. Programmes undermined include the 10,000 km low-volume traffic roads aimed at improving access to social amenities, reduce travel costs, cut vehicle operating costs, and enhance rural connectivity and development.

In 2016, the Government announced that it would review the roads targeted for construction under its annuity scheme. In line with this, a number of road projects which should garner interest from private investors have been planned. A major road development earmarked in 2017 was the Outer Ring Superhighway in Eastland's area Nairobi. In the 2017/18 budget, the Government allocated a total of KES 134.9 billion which includes KES 63.6 billion for on-going road construction, KES 44.3 billion for foreign financed roads and KES 27 billion for low volume seal roads.

Ports significant developments are in progress at the Mombasa Port: the country's main port. Referred as the Mombasa Port Development Project, it aims to increase the annual capacity from 250 thousand twenty foot equivalent units to 1.5 million units In October 2016, construction of phase one of the 29 berth Lamu Port commenced.

The port is intended to become an international port handling over 24 million tonnes of cargo, reducing the pressure from the port of Mombasa and helping Kenya retain its position as a regional transport hub. Air In February 2017, the US Federal Aviation Authority's (FAA) granted Jomo Kenyatta International Airport (JKIA) Category 1 status. This allows Kenya to enjoy direct flights to USA, which has elevated the country's profile as the regional hub. Flights from Nairobi to New York's John F. Kennedy Airport will be launched in early May, following a formal request by Kenya Airways to the US federal aviation department for a licence to fly directly to the US

The phase one expansion of the Malindi Airport is undergoing following an allocation of KES 1.5 billion in the 2017/18 financial year. The expansion will enable the airport to accommodate the Boeing 737-600 aircraft which can take off from Rome to Malindi non-stop. Rail Heralded as one of Kenya's largest projects, the KES 327 billion SGR development has been a major driver of infrastructure growth since construction on the first phase between the Port of Mombasa and capital city Nairobi began in 2014.

INFORMATION & COMMUNICATIONS TECHNOLOGY

Kenya is well-known around the world for being a pioneer in the field of mobile money and has continued to show growth in this field, while constantly improving technology and increasing access, with a 2.8% increase in mobile banking in 2016.

In June 2016, Equitel (a mobile banking solution by Equity Bank Group) surpassed the 2 million subscriber mark. According to BMI, Airtel and Orange are set to launch 4G LTE services across the country whereas Safaricom has adopted fibre expansion as its core 2017 investment strategy as it looks to makes inroads in the fibre optic market.

The disconnection of Telkom Kenya's CDMA network in 2015, led to a substantial fall in fixed-line subscriptions in 2016. Kenya's internet connectivity increased by 25% over the last 3 years, with fiber optics accounting for close to 97% of all ground internet connections. This has boosted Kenya's. Connectivity internally, and to the rest of the world. Cloud computing and broader IT services markets are benefitting from the modernisation of the public and private sectors.

BUILDING & CONSTRUCTION

Kenya has a well-developed building and construction industry with quality engineering, building and architectural design services being readily available. This industry is currently on an upward trend following re-habilitation and reconstruction of roads and bridges under the Kenya Urban Transport Infrastructure Program

ECONOMIC PERFORMANCE

Overall macroeconomic fundamentals were stable in 2016. Authorities pursued prudent monetary, fiscal, and exchange rate policies. The central bank retained the policy rate at 10% to anchor inflation at the single-digit level (6.3%). Fiscal policy was expansionary and focused on financing infrastructure mega-projects. Higher government spending, coupled with weaker revenue mobilization, increased the budget deficit to 8% and the public debt–to GDP ratio to 54%. The December 2016 International Monetary Fund (IMF)–World Bank Debt Sustainability Analysis put the country at low risk of debt stress. The balance of payments deficit improved slightly to 0.6% of GDP for the year ending June 2017, from 1.7% for the year ending June 2016, on the back of improved current, capital, and financial account balances. This progress increased foreign exchange reserves 0.8%, to a new high of $7.8 billion at end June 2016. The increase in foreign reserves, as well as the precautionary arrangement with the IMF amounting to $1.5 billion, contributed to exchange rate stability. Economic performance in 2017 was mixed. The drought and the presidential election crisis likely affected macroeconomic performance. Inflation increased to an estimated 8.8%; the budget deficit remained high, at an estimated 7.8% of GDP; and the current account deficit increased to an 5.9% of GDP. The economy is projected to be stronger from 2018 onward.

Kenya's economy remains resilient due to its diversity; services contributed the highest proportion to GDP growth. This is expected to continue as the country remains the leading regional hub for information and communication technology, financial, and transportation services. Recent investment in rail and road and planned investment in a second runway at Jomo Kenyatta International Airport are potential growth drivers. Macroeconomic stability continues, with most fundamentals projected to remain healthy. The business-enabling environment has improved as well; Kenya moved up 12 places to a ranking of 80 in the World Bank's 2018 Doing Business report..

Continued drought in 2016/17 hindered agricultural productivity and resulted in high inflation for food prices. Prolonged political activities and the presidential election impasse hurt private-sector activity. Although not conclusively assessed, interest rate caps have reportedly constrained credit expansion, leading to reduced private sector investment. Continued high public consumption expenditure keeps the budget deficit at close to 10% of GDP, while the expected maturity of public debt could lead to debt distress.

OVERVIEW OF ECONOMIC PERFORMANCE

GROSS DOMESTIC PRODUCT

Real GDP growth was a robust 5.8% in 2016, driven mainly by services (which accounted for 66% of growth) and industry (which accounted for 19% of growth). Agriculture accounted for 15% of growth, the lowest in recent years. Growth in services was driven by real estate (which grew 12%) and transport and storage (which grew 10%), and growth in industry was driven by construction (which grew 8.2%) and manufacturing (which grew 6.2%). Real GDP growth declined to an estimated 5% in 2017, due to subdued credit growth caused by caps on commercial banks' lending rates, drought, and the prolonged political impasse over the presidential election. The half-year estimates show that the economy remained fairly resilient, growing 4.8%. Services accounted for 82% of that growth, and industry accounted for 17%; agriculture's poor performance continued. The economy is projected to rebound to GDP growth of 5.6% in 2018 and 6.2% in 2019.

INFLATION

Consumer prices in Kenya rose 4.8 percent year-on-year in January of 2018, after a 4.5 percent gain in the previous month. Prices advanced at a faster pace after easing for five consecutive months, mostly due to food and housing and utilities.

Compared to January of 2017, cost increased at a faster pace for food and non-alcoholic beverages (4.71 percent compared to 4.68 percent in January); housing and utilities (5.74 percent compared to 5.13 percent); transport (6.80 percent compared to 5.82 percent); clothing and footwear (3.61 percent compared to 2.97 percent); furnishings and household equipment (3.62 percent compared to 3.26 percent); miscellaneous goods and services (4.11 percent compared to 3.56 percent); restaurant and hotels (7.03 percent compared to 6.61 percent); communication (0.59 percent compared to 0.53 percent) and education (5.38 percent compared to 3.21 percent).

On a monthly basis, consumer prices rose 1.32 percent, following a 0.54 percent increase in the previous month. Prices went up faster for food and non-alcoholic beverages (1.69 percent compared to 0.25 percent in December), namely some foodstuffs. In addition, cost advanced further for housing and utilities (0.90 percent compared to 0.27 percent), mainly due to higher prices of house of rents, kerosene and charcoal. In contrast, cost of transport slowed to 1.53 percent from a 2.44 percent, due to prices of diesel and petrol.

THE SMALL & MICRO ENTERPRISES

The small and micro enterprises (SMEs) play an important role in the Kenyan Economy. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). According to Amyx (2005), one of the most significant challenges is the negative perception towards SMEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Often larger companies are selected and given business for their clout in the industry and name recognition alone. Despite all the above challenges the Small- and medium-sized enterprises (SMEs) have played a significant role in Kenya's economy. The SME sector is estimated to employ close to 80% of Kenya's total workforce and contribute 20% to GDP. However Measures to support Small and Medium-sized Enterprises, including increased funding to Uwezo (Sh850m), Youth (Sh300m) and Women's (Sh500m) funds and support for Buy-Kenya-Build-Kenya approach to procurement by State bodies are in place.

STOCK MARKET

The stock market in Kenya experienced some restructuring in 2011 with the Nairobi Stock Exchange transformed into the Nairobi Securities Exchange (NSE). The Nairobi Securities Exchange (NSE) is a leading African Exchange, based in Kenya – one of the fastest-growing economies in Sub-Saharan Africa. Founded in 1954, NSE has a six decade heritage in listing equity and debt securities. It offers a world class trading facility for local and international investors looking to gain exposure to Kenya and Africa's economic growth.

NSE demutualized and self-listed in 2014. Its Board and management team are comprised of some of Africa's leading capital markets professionals, who are focused on innovation, diversification and operational excellence in the Exchange.

NSE is playing a vital role in the growth of Kenya's economy by encouraging savings and investment, as well as helping local and international companies' access cost-effective capital. NSE operates under the jurisdiction of the Capital Markets Authority of Kenya. It is a full member of the World Federation of Exchange, a founder member of the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA). The NSE is a member of the Association of Futures Market and is a partner exchange in the United Nations-led SSE initiative.
Trading performance on the stock market over the year 2011 was negatively affected by reduced interest on the part of foreign investors, the high inflation rate and currency devaluation. However the 2012 performance of the NSE was commendable. The NSE 20 Share Index ended 2012 at 4,133.02 points and has been on an upward trend since crossing the 4,000 mark on October 15 2012. For 2012, the NSE 20 Share Index was up 28.64%. As of February 22 2013, the NSE 20 Share Index stood at 4,477.89, reflecting an 8.34% gain for 2013. In the same period, the FTSE NSE 15 and FTSE NSE 25 indices risen from 8.91% and 9.11% to 141.36 and 144.51 points respectively.

The following are companies listed under Nairobi Securities exchange;

Listed Companies

AGRICULTURAL
Eaagads Ltd
Kakuzi Ltd
Kapchorua Tea Co. Ltd
The Limuru Tea Co. Ltd
Sasini Ltd
Williamson Tea Kenya Ltd

AUTOMOBILES & ACCESSORIES
Car & General (K) Ltd

BANKING

Barclays Bank of Kenya Ltd
Stanbic of Kenya Holdings Ltd
Diamond Trust Bank Kenya Ltd
Equity Group Holdings Ltd
Housing Finance Group Ltd
I&M Holdings Ltd
KCB Group Ltd
National Bank of Kenya Ltd

ENERGY & PETROLEUM
KenGen Co. Ltd
KenolKobil Ltd
Kenya Power & Lighting Co Ltd
Total Kenya Ltd
Umeme Ltd

INSURANCE
Britam Holdings Ltd
CIC Insurance Group Ltd
Jubilee Holdings Ltd
Kenya Re Insurance Corporation Ltd
Liberty Kenya Holdings Ltd

INVESTMENT
Centum Investment Co Ltd
Home Afrika Ltd
Kurwitu Ventures Ltd
Olympia Capital Holdings Ltd

NIC Group PLC
Standard Chartered Bank Kenya Ltd
The Co-operative Bank of Kenya Ltd

COMMERCIAL AND SERVICES

Express Kenya Ltd

Sameer AfricaPLC
Kenya Airways Ltd
Nation Media Group Ltd
Standard Group Ltd
TPS Eastern Africa(Serena) Ltd
Scangroup Ltd
Uchumi Supermarket Ltd
Longhorn Publishers Ltd
Atlas Development and Support Services
Deacons(East Africa) Plc

Nairobi Business Ventures Ltd

CONSTRUCTION & ALLIED

ARM Cement Ltd
Bamburi Cement Ltd
Crown Paints Kenya Ltd
E.A.Cables Ltd
E.A.Portland Cement Co. Ltd

Trans-Century Ltd

INVESTMENT SERVICES

Nairobi Securities Exchange Ltd

MANUFACTURING & ALLIED

B.O.C Kenya Ltd
British American Tobacco Kenya Ltd
Carbacid Investments Ltd
East African Breweries Ltd
Eveready East Africa Ltd
Flame Tree Group Holdings Ltd
Kenya Orchards Ltd
Mumias Sugar Co. Ltd
Unga Group Ltd

TELECOMMUNICATION & TECHNOLOGY

Safaricom Ltd

REAL ESTATE INVESTMENT TRUST

STANLIB FAHARI I-REIT.

EXCHANGE TRADED FUND

New Gold Issuer (RP) Ltd

NATURAL RESOURCES

Kenya's natural heritage is globally recognized for its rich biodiversity and iconic landscapes. Kenya's economy and people's livelihoods are highly dependent on these natural resources and nature-based tourism, sectors that are extremely vulnerable to climate change. The arid and semi-arid lands account for 80 percent of the country's land area and climate variability has led to significant economic losses and increased food insecurity. Other external factors such as wildlife crime, urban expansion, and population growth are threatening conservation efforts in Kenya.
USAID addresses these development challenges through the promotion of community-based natural resource management in biodiversity hotspots across Kenya and by working directly with the Government of Kenya (GOK) to promote low emission and climate resilient development. With over 60 percent of Kenya's wildlife ranging outside state -protected areas, sustainable management of community and private lands has proved vital to protecting and conserving Kenya's natural heritage

Kenya's most valuable natural assets are rich agricultural land and a unique physiography and wildlife. The highly diversity of wildlife is a key draw for the tourism industry.

The country is not well-endowed with mineral resources. Mineral resources currently exploited are gold, limestone, soda ash, salt, rubies, fluorspar and garnets. At present, only 3% of the land is forested, a reduction by half over the past three decades. Kenya's water resources are similarly under pressure. Kenya relies to a significant extent on hydropower.

Environment law requires the National Environmental Management Authority (NEMA) to conduct annual environmental audits and to prepare and submit a State of Environment (SoE) report every year to parliament. The report documents environmental issues and potential interventions to be undertaken by various sectors towards enhancing the status and quality of the environment.

UNEMPLOYMENT

The Kenyan labor market is one that is characterized by inadequate employment opportunities against a large and growing population of unemployed people especially the youth. It is dual in nature, presenting a small formal sector alongside a large informal sector.

Massive joblessness, especially among the among the sprightly and innovative youth, is a drag on the economy because it forces unemployed adults to depend on the small working class, stretches family resources and consumes savings for future investments.

The World Bank Economist Apurva Sanhi in a report made on Tuesday 8, 2016, said that the problem that is mainly compounded by the fact that Kenya's ability to create new jobs has lagged behind population growth, resulting in narrow formal opportunities, especially for entry-level workers fresh from college.

Individuals face many challenges while seeking for employment. These include few available employment opportunities against a fast-growing pool of employment seekers, lack of requisite skills sought by industry due to mismatch of acquired skills and industry expectation, poor access to information on available opportunities. Others measures are gender and cultural biases, ethnicity, and corruption, unfavourable geographical distribution of jobs and limited career guidance. The main obstacles for job seekers are limited to financial resources, lack of relevant skills and experience.

Mass unemployment continues to deny Kenya the opportunity to put its growing labor force to productive use, thereby denying the economy the demographic dividend from the majority of the young people.

It's the government's task to put in place measures to create jobs both in the short-term and the long-term.

Unemployment in Kenya, which now stands at 40% according to the latest statistics, has been one of the greatest challenges in the country with 80% of unemployed Kenyans being below 35 years old.

CURRENCY AND RATES

Exchange rates between Kshs vs USD for the last five years;

Month	Average exchange rate
2013	86.2
2014	88.1
2015	98.7
2016	101.4
2017	103.25

TABLE 2
Interest rates

Interest rates According to the CBK, lending rates in Kenya reduced from 16.6% in 2015 to 13.7% in 2017 while deposit rates increased from 6.7% to 7.1% in the same period .saving rates increased from 2.9% in 201 to 6.1% in 2017 as shown in table below:

INTEREST RATES	2013	2014	2015	2016	2017
Deposit Rate	6.5%	6.6%	6.7%	7.1%	7.4%
Saving Rate	1.6%	1.5%	1.7%	2.9%	6.1%
Lending Rate	17.3%	16.5%	15.5%	16.6%	13.7%

In August of 2016, the President of Kenya signed into law, an amendment to the 2015 Banking Bill which capped lending interest rates. The law caps the maximum lending interest rate at 4% above the base rate set by the Central Bank of Kenya. The Central Bank rate has averaged at 10%.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Kenya has enjoyed steady export growth in the last six years. However this was punctuated by a fall across all export products in 2009 attributable to the global economic downturn.

The value of total exports grew by 21.6% in 2011 to USD 4.8 billion and declined by 19.8%,17.9% and 16.4% in 2012, 2013 and 2014 respectively , with the leading exports being tea, horticulture, coffee, tobacco and tobacco products.

The value of imports grew by 38.8% in 2011 to USD 11.3 billion and declined by 35.4% and 33.4% in 2012 and 2013 respectively. The value of imports however increased by 33.9% in 2014. Imports mainly comprised petroleum, industrial machinery and road motor vehicles.

According to the Kenya National Bureau of Statistics 2014 report, Kenya’s volume of trade fell by 2.2 percent in 2013. While Kenya’s domestic exports fell by 3.0 percent, imports grew by 2.8 percent mainly due to purchases of petroleum products, capital goods, food products and chemical fertilizers, which accounted for 58.4 percent of the total import bill. Kenya’s current account deficit grew from USD 4.31 billion in 2012 to nearly USD 4.495 billion in 2013.

3 – FOREIGN INVESTMENT

Kenya is one of the economic leaders in sub-Saharan Africa. Like many African countries, it is dependent on Foreign Direct Investment (FDI) for capital and employment.

Foreign investment in Kenya remains relatively weak considering the size of its economy and its level of development. This can be explained by a number of hindrances to investment, notably the country's poor-quality infrastructure, lack of security due to terrorism and an unfavourable business climate. Nevertheless, Kenya became one of the largest recipients of FDI in Africa, with FDI inflows significantly increasing since 2010. This rise is related to investments, mainly Chinese, in the mining and hydrocarbon sectors. Moreover, it is one of the most attractive East African countries to companies wishing to invest in the region. A Chinese investor has launched a project to create a railroad connecting Rwanda, Uganda, South Sudan and Kenya, for a cost of nearly USD 14 billion. In 2015, Kenya benefited from a 50% rise of FDI projects compared to the previous year, becoming the second African country in terms of FDI, behind South Africa. (USD 1.5 billion up from USD 990 million). According to early projections provided by Kenya Investment Authority in April 2017, the FDI influx could have reached as high as USD 2.5 billion in 2016. These figures highly contrast data provided by UNCTAD's World Investment Report 2017 which suggest that the FDI influx to Kenya was only USD 394 million in 2016 and has never crossed the billion bar.

In the Doing Business 2017 report issued by the World Bank, Kenya ranks 92nd out of 189 countries, a gain of 16 places compared to 2016. In 2015, Kenya simplified procedures for business creation and the transfer of ownership and improved access to credit and electricity. In the upcoming years, simplification of the conditions for obtaining business licenses, alongside the development of public-private partnerships as part of the 'Vision 2030' strategy, should have a positive influence on FDI inflows.

In addition, most sectors are open to foreign investment. In recent years, the telecommunications sector has attracted the most FDI, thanks to the arrival of fibre optics in 2009-2010. The other sectors attracting FDI are banking and tourism.

The United Kingdom, the Netherlands, Belgium, China and South Africa are the main investors in Kenya.

Kenya is a desirable investment destination due to the following;

- Excellent connectivity to major world-wide hubs and time zones that make it easy to work with most continents. Nairobi is the undisputed transportation hub of Eastern and Central Africa and the largest city between Cairo and Johannesburg. Also the Port of Mombasa is the most important deep-water port in the region, supplying the shipping needs of more than a dozen countries.
- A deep pool of educated and skilled manpower that have made the country the manufacturing, commercial and financial hub in eastern and central Africa.
- A fully liberalized economy without exchange or price controls. There are no restrictions on domestic and foreign borrowing by residents and non-residents.
- The most developed stock market in the Eastern and Central African region i.e. the Nairobi Stock Exchange (NSE).
- A relatively well developed manufacturing base in the Eastern African region.
- Potential for exploration and exploitation of mineral resources. Kenya’s mineral resources though limited, are attractive and a potential source of valuable materials such as titanium. At present exploration of oil is ongoing off the Indian Ocean Coast and other parts of the country.
- Favourable weather /Climate as well as attractive and diverse social/cultural environment
- Kenya’s membership in regional trading bodies such as COMESA, AU , EAC and provides potential investors with a large potential market

- Investment insurance, this provides potential investors with insurance for their investment in Kenya against a wide range of non-commercial risks.
- Tax Treaties and Investment Promotion and Protection Agreements, Kenya is a signatory to a large and growing number of tax treaties and investment promotion and protection Agreements such as the Multilateral Trade System (MTS) ACP Cotonou Agreement, and the Africa Growth and Opportunities Act. This allows exports from Kenya to enjoy preferential access to world markets under a number of special access and duty reduction programmes.
- Stability, since independence, Kenya has maintained remarkable stability despite changes in its political system since the re-emergence of multiparty democracy and promulgation of a new constitution in 2011; Kenyans have enjoyed an increased degree of freedom.
- Regulatory Reforms, Kenya is making efforts to lower the cost of doing business by conducting extensive business regulatory reforms intended to substantially reduce the number of licensing requirements and to make the licensing regimes more simple and transparent and focused on legitimate regulatory purposes.
- Access to Large pool of Highly Educated and Skilled Work Force, Kenya prides itself in its large pool of highly educated, skilled and sought after work force in Africa, trained from within the country and in institutions in around the world.
- Strategic location, Located on the East African coast and having the port of Mombasa, Kenya is strategically located for investors wanting to access the East and Central African market.
- Kenya is an economic centre of the East Africa Community comprising 138 million people and a GDP of US$ 138 million.
- As the leading economy in East Africa, Kenya’s’ strategic location and its well-developed business infrastructure make it a natural choice for investors and many international firms have made it their regional hub. This grants investors’ access to the larger East African Community and regional markets with access to over 385 million consumers. Nairobi is also a major transport Hub in East Africa with Connections from Jomo Kenyatta International Airport to Major Destinations around the world.
- Highly Developed Social and Physical Infrastructure, Kenya affords a pleasant and quality standard of living with its spectacular and diverse natural resources. Ranging from wildlife and sceneries. Including the world famous Maasai Mara. The country also boasts of high quality social amenities such as restaurants, hospitals and Entertainment spots. A good reason why the country has the highest number of Expatriates living and working in Kenya.
- Fully Liberalized Economy, Kenya fully liberalized its economy by removing all obstacles that previously hampered the free flow of trade and private investment. These include exchange controls, import and export licensing, as well as restrictions on remittances of profits and dividends.
- Preferential Market Access, Kenya is signatory to a number of multilateral and bilateral trade agreements as part of its trade policy. Kenya is a member of the World Trade Organization (WTO) making her products access more than 90% of world markets at Most Favoured Nation (MFN) treatment. In addition, Kenya is member to several trade arrangements and beneficiary to trade-enhancing schemes that include the Africa Growth and opportunity act (AGOA); ACP-EU Trade Agreement and
- Well Established and Vocal Private Sector, Kenya has a very substantial private sector, including a significant number of foreign investors and is touted as one of the most resilient in the world. The country has always been a market economy. Key players in voicing private-sector concerns include, The Kenya Private Sector Alliance (KEPSA), Federation of Kenya Employers (FKE) and The Kenya Association of Manufacturers (KAM).
- Diversified and established economy with strong business sector.
- Opportunities in agriculture and horticulture, tourism, mining, power generation, ICTs, manufacturing and acquisition of state-owned enterprises.
- Strong reform gains to encourage investment: coherent vision for economic development, regular meetings between government leaders and investors, new framework for public private partnerships, reinforced investment authority.
- New constitution with greater separation of powers to maintain broad-based political stability

- A Range of Tax Treaties and Investment Promotion and Protection Agreements. Kenya has a number of tax treaties and investment promotion and protection Agreements. Exports from Kenya enjoy preferential access to world markets under a number of special access and duty reduction programmes. Kenya is signatory to various agreements aimed at enhancing trade amongst member states.
- Multilateral Trade System (MTS): The World Trade Organization (WTO) is the only international organisation dealing with the global rules of trade between nations. The overriding objective of the WTO is to ensure that trade flows as smoothly, freely and predictably as possible. Kenya has been a member of the WTO since its inception in January 1995.
- ACP/Cotonou Partnership Agreement. Exports from Kenya entering the European Unionare entitled to duty reductions and freedom from all quota restrictions. Trade preferences include duty-free entry of all industrial products as well as a wide range of agricultural products including beef, fish, dairy products, cereals, fresh and processed fruits and vegetables.
- African Growth and Opportunity Act (AGOA) Kenya qualifies for duty free access to the United States of America (USA) market under the African Growth and Opportunity Act enacted by USA. Kenya’s major products that qualify for export under AGOA include textiles, apparels, handicrafts among others
- Generalised System of Preferences (GSP): Under the Generalised System of Preferences, a wide range of Kenya’s manufactured products are entitled to preferential duty treatment in the United States of America, Japan, Canada, New Zealand, Australia, Switzerland, Norway, Sweden, Finland, Austria, and other European countries. In addition, no quantitative restrictions are applicable to Kenyan exports on any of the 3,000-plus items currently eligible for GSP treatment.
- Infrastructure: The construction of superhighway in city of Nairobi is a leading link for investors for transportation renovation of Kenya Railways, Kenya Airways (Pride of Africa) and Lamu Port has made Kenya a hub of International Transportation Centre
- Bilateral Trade Agreements: Kenya has signed bilateral trade agreements with several countries around the world. Some of the countries are already members of existing schemes offering market access/duty reduction preferences as above

GOOD REASONS TO INVEST IN KENYA

A Range of Tax Treaties and Investment Promotion and Protection Agreements.

Kenya has a number of tax treaties and investment promotion and protection Agreements. Exports from Kenya enjoy preferential access to world markets under a number of special access and duty reduction programmes. Kenya is signatory to various agreements aimed at enhancing trade amongst member states.

Multilateral Trade System (MTS)

The World Trade Organization (WTO) is the only international organisation dealing with the global rules of trade between nations. The overriding objective of the WTO is to ensure that trade flows as smoothly, freely and predictably as possible. Kenya has been a member of the WTO since its inception in January 1995.

ACP/Cotonou Partnership Agreement

Exports from Kenya entering the European Union are entitled to duty reductions and freedom from all quota restrictions. Trade preferences include duty-free entry of all industrial products as well as a wide range of agricultural products including beef, fish, dairy products, cereals, fresh and processed fruits and vegetables.

African Growth and Opportunity Act (AGOA)

Kenya qualifies for duty free access to the United States of America (USA) market under the African Growth and Opportunity Act enacted by USA. Kenya's major products that qualify for export under AGOA include textiles, apparels, handicrafts, etc.

Generalised System of Preferences (GSP)

Under the Generalised System of Preferences, a wide range of Kenya's manufactured products are entitled to preferential duty treatment in the United States of America, Japan, Canada, New Zealand, Australia, Switzerland, Norway, Sweden, Finland, Austria, and other European countries. In addition, no quantitative restrictions are applicable to Kenyan exports on any of the 3,000-plus items currently eligible for GSP treatment.

Investment Protection Guarantee

The constitution of Kenya guarantees protection of life and private property. The Foreign Investment Protection Act guarantees against expropriation of private property by government. Kenya is a signatory to and Member of the Multilateral Investment Guarantee Agency (MIGA) an affiliate of the World Bank which guarantees investors against loss of Investment to political problems in host countries.

Kenya is also signatory to International centre for Settlement of Investment Disputes which is a channel for settling disputes between foreign investors and host governments

Infrastructure

The construction of superhighway in city of Nairobi is a leading link for investors for transportation renovation of Kenya Railways, Kenya Airways (Pride of Africa) and Lamu Port has made Kenya a hub of International Transportation Centre

Bilateral Trade Agreements

Kenya has signed bilateral trade agreements with several countries around the world. Some of the countries are already members of existing schemes offering market access/duty reduction preferences as above.

Kenya has a number of tax treaties and investment promotion and protection Agreements to encourage foreign direct investment. Exporters from Kenya enjoy preferential access to world markets under a number of special access and duty reduction programs.

Exports from Kenya entering the European Union are entitled to duty reductions and freedom from all quota restrictions. Trade preferences include duty-free entry of all industrial products as well as a wide range of agricultural products including beef, fish, dairy, cereals, fresh and processed fruits and vegetables.

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Kenya is a signatory to and member of the Multilateral Investment Guarantee Agency (MIGA), an affiliate of the World Bank, which guarantees investors against loss of Investment to political problems in host countries. Additionally, Kenya is signatory to International Centre for Settlement of Investment Disputes, which is a channel for settling disputes between foreign investors and host governments

Kenya has signed bilateral trade agreements with more than 20 countries around the world, including Argentina, China, Egypt, India, the Netherlands, Poland, Thailand, Tanzania, South Korea and Pakistan. Kenya is currently negotiating agreements with nine additional countries including Belarus, the Czech Republic, Mozambique and South Africa.

FOREIGN DIRECT INVESTMENT	2014	2015	2016
FDI Inward Flow (million USD)	821	620	394
FDI Stock (million USD)	10,219	10,839	11,233
Number of Greenfield Investments***	64	96	40
FDI Inwards (in % of GFCF****)	5.8	4.5	2.8
FDI Stock (in % of GDP)	16.6	17.0	16.3

Source: UNCTAD - Last Available Data.

Besides Kenya being a hub for investments there factors that may discourage investment in the country. These include: corruption, slow judicial system, high unemployment and poverty, uncertainty over land ownership, recent security issues related to terrorism and crime, interethnic tensions, costly skilled labor, high cost of energy, poor infrastructure and administrative difficulties in obtaining work permits, However the Government of Kenya is working hard to eradicate them.

To reduce bureaucracy in relation to licensing requirements, immigration and negotiating tax incentives and exemptions, companies are advised to register potential investments with the Kenya Investment Authority.

For more information and to find the relevant registration/application forms, go to:

Kenya Investment Authority www.investmentkenya.com

Other useful websites for foreign companies interested in investing in Kenya are:

Central Bank of Kenya www.centralbank.go.ke
Kenya Revenue Authority www.kra.go.ke
Nairobi Stock Exchange www.nse.co.ke

4 – SETTING UP A BUSINESS

An investor in Kenya has various options to choose from for the form his/her business enterprise will assume.

The main types of company are set out below.

LIMITED LIABILITY COMPANY

A limited liability company is a company whose registered capital is divided into a certain number of shares of a specific nominal value.

A company's authorised capital is made up by par values of its members' equity stakes.

If the company is incorporated by more than one person (individuals or legal entities), the authorised capital is divided into equity stakes of a certain size. A company's authorised capital determines a minimum size of company property, which guarantees the interests of its creditors.

Members of limited liability companies are not liable for its obligations beyond the size of their capital contribution and any unpaid amounts on issued capital.

A limited liability company is the legal form preferred by state authorities for joint ventures. It is also the form into which former state enterprises undergoing privatisation, have been converted. A joint-stock company can be established by one or more entities, including a state or business entity.

The registered capital of the company must be subscribed by the shareholder(s) and at least 30% of monetary contributions and all in-kind contributions must be paid up before the company is registered by the Registrar of companies.

Any company profit gained as a result of its business activity should be distributed among members in the proportion to their equity stakes in the authorised capital. The distributable profit is subject to withholding tax.

A limited liability company may either be a private or a public company.

PUBLIC LIMITED COMPANY

This is formed by a minimum of 51 members and has the power to invite public subscription for its shares.

Subscription of shares must be made upon incorporation of the company. To this end, a general meeting must be held by the subscribers on the establishment of the company, unless the founder(s) agree in the memorandum of association to pay the total registered capital of the company themselves to a certain ratio.

If the shares of the company are subscribed through a public offering of shares, then a prospectus (in accordance with the Companies Act) must be approved by the Capital Market Authority prior to publication of the announcement on the public offering. This must be published concurrently with the public offering. Where the company is listed in the securities exchange (Nairobi Securities Exchange), the approval of the securities exchange is also needed.

The payment of dividends or profit shares is not restricted, provided the company has sufficient distributable profits.

PRIVATE LIMITED COMPANY

In contrast to a public company, a private company must have a minimum of two shareholders but should not exceed 50 shareholders.

A new bill was assented by the President in September 2015 that allows for companies to have one shareholder; however this has not been published at the date of this report.

Furthermore, it cannot invite public subscriptions for its shares; the transfer of shares is restricted in that the consent of other shareholders is required before the transfer of private subscriptions is allowable.

GENERAL PARTNERSHIP

A general partnership is a commercial company, the members of which, in accordance with the agreement concluded between them, carry on the business on behalf of the partnership and are liable for its obligations with their property.

The partners of a general partnership are called members and conclude transactions on behalf of the partnership and carry on its business.

A general partnership is incorporated and operates under the partnership deed, which establishes the size and composition of the capital and size of the members' contributions.

Any profits and losses of a general partnership are divided amongst its members in proportion to their capital contribution as stipulated by the deed.

FUNDS

A fund is a not-for-profit organisation without membership.

It is founded by citizens and/ or legal entities on a voluntary basis by the contribution of money or properties. The aim is to pursue social, charitable, cultural and educational goals, or other such purposes.

The founders or trustees are not liable for the obligations of the fund. The income derived from any economic activities carried out by the fund and contributions received can only be used for the purposes set out in the articles of the association.

ASSOCIATIONS AND UNIONS

Associations and unions are not-for-profit organisations set up to co-ordinate the activities of members and to represent and defend their common rights and interests.

They are separate legal entities independent of the members composing them. They have limited liability status.

The constitutions of the individual associations spell out the obligations of members, which may be in terms of the contributions required from the members.

Associations and unions must be registered with the Registrar of societies, whereupon they acquire a legal status. Their legal status ceases upon being struck off this register.

STARTING A BUSINESS

Underlying the indicators below show a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

TABLE 4

Details – Starting a Business in Kenya – Procedure, Time and Cost

<table>
<tr><th>NUMBER</th><th>PROCEDURE</th><th>TIME TO COMPLETE</th><th>COST TO COMPLETE</th></tr>
<tr><td>1.</td><td>Reserve a unique company name using the eCitizen Portal

The name reservation is regulated by the Companies Act 2015 (Part V, Section 48). As of December 2016,the Business Registration Service has made it easier for applicants to reserve company names by making it mandatory to use the online name reservation system on eCitizen. Applicants can search and reserve company names online at https://ag.ecitizen.go.ke/index.php/forms/view?id=463. After an applicant submits the name search and reservation application, they make payment via mobile money and receive a confirmation of the name reservation within the same day.

The name is reserved for 30 days and can be extended to a maximum period of 60 days from the time of reservation.
Agency : eCitizen portal</td><td>2 day on average</td><td>KES 150 per name reservation</td></tr>
<tr><td>2.</td><td>Apply for company registration, PIN, NSSF and NHIF through the online eCitizen portal
An applicant is required to submit the application for registration of a company on the eCitizen platform by entering details of the required information in the fields provided. The Applicant has an option of adopting the model Articles of Association provided under the Companies Act 2015.
The applicant may also supplement or modify the model Articles of Association and provide these for purposes of registering the company. Payment for the registration of the company is also made online using the stipulated payment methods that include mobile money payment,debit/credit/prepaid cards, local bank transfer and E-citizen agents. Once payment is made, the following forms are generated by the online system:
a. Details of the First Directors, Secretary and Authorized Signatory of the
Company-This form needs to be signed by all the first directors, secretary and authorized signatory of the company
b. Form CR 2 (Memorandum and Articles of Association)-This form is to be signed by all the subscribers to the shares of the company
c. Form CR 8 (Notice of Residential Address/Change of Address of Director ofa Company)-This form is to be signed by the applicant
d. Statement of Nominal Capital-This is to be signed by any of the first directors of the company.
The forms should be downloaded and signed as required and scans of the signed forms should be uploaded into the system.
The application for registration of the company shall be considered complete when all the above mentioned forms are scanned back into the system. The application shall then be reviewed by the Registry officials and if it is in order, a Certificate of Incorporation together with an official Search
shall be generated online. According to the official Gazette Notice Legal 61 published April 2016, there is a at fee of 10,000 shillings for new company incorporation. The fee for</td><td>14 days on average</td><td>Kshs 10650</td></tr>
</table>

	using the online system is currently 50 shillings and the fee for completing the check at the end of the incorporation process is 600 shillings. Agency : eCitizen portal		
3.	**Register for VAT and PAYE** Section 34 of the VAT Act 2013, requires that any person who in the course of a business has made or is expecting to make taxable supplies the value of which is KES 5,000,000 or more in any period of twelve months must be registered for VAT. Registration is now conducted online through KRA online services portal;htt.www.kra.g.ke/portal.Once the company is registered, they are required by the VAT Law to display your registration certificate in a clearly visible place within your business premises. Failing to do so will result in a default penalty of Kenya shillings 20,000/= and in addition shall be guilty of an offence and liable to a ne not exceeding Kenya shillings 200,000/= or imprisonment for a term not exceeding two years or both. Under the Income Tax Act Cap 470, where a person has employees, they are required to deduct tax due from any remuneration paid to their employees (PAYE tax) and remit this to the KRA. All employers are thus required to register for PAYE once they have employees. Both the application for VAT and PAYE can be completed at the same time Agency: KRA	2 Days	No Charge
4.	**Apply for a unified business permit** The Nairobi City County has introduced the new unified business permit online in order to make it easier and simpler for applicants to obtain the unified business permit. The unified business permit consolidates 5 permits i.e. the single business permit, re clearance certificate, advertising signage, health certificate and food hygiene into one permit. Applicants apply for a unified business permit online at,https://epayments.nairobi.go.ke/ with an option to make payments online. An assessment of the payable fee for the trading licence can only be done at the agency. Only after the assessment has been done can an invoice be generated and paid online. The applicant can also go in person to submit the application for the unified permit. The applicant then obtains the provisional unified business permit and can display it at their business premises. Cost: KES 15,000 single business permit fee KES 200 for the application fee KES 4,500 for the inter alia a Fire Clearance Certificate Agency: Nairobi City County	5 days	See procedure details
5.	**Register the work place with the Director of Occupational Safety and Health** The purpose of the Occupational Safety and Health Act 2007 is to provide a legal framework to promote, stimulate and encourage high standards of safety and health in the workplace. As such employers must: • Prepare and, revise a written safety and health policy statement for the workplace giving consideration to the organisation and arrangements for carrying out that policy;	1 days	KES 5000

	• Notify employees any revision of the policy statement; • To establish a safety and health committee in the workplace where there are twenty or more persons employed in the workplace; • not to penalize an employee who is a member of a work place safety and health committee for doing anything in pursuit of safety and health; A company must obtain a Certificate of Registration of a Workplace from the Directorate of Occupational Health and Safety in respect of each of the premises used by the company as a workplace *Agency : Occupational Safety and Health*		
6.	**Make a company seal** The requirement for companies to obtain a company seal has been made optional as a result of passing the Companies Act, 2015. However, in practice companies still get seals made. Seal makers request a copy of the certificate of incorporation in order to make a company seal. Agency : Seal maker	2 days, simultaneous	between KES 2,500 and KES 3,500

5 – LABOUR

The provisions regulating employer-employee relationships are laid out in the Employment Act.

For factory workers, factory wages and conditions of employment, the Act is the binding law.

The employer-employee relationship stems from the agreement signed between an employer and an employee. A responsible officer of the company (e.g. the manager) may represent an employer in this agreement.

The agreement usually contains:
- The terms of reference for the employee detailing their specific duties and responsibilities
- The terms of employment, including hours of work, salary and other benefits, period of paid leave and other entitlements
- The respective rights and obligations of both employer and employee.

The minimum period of annual leave is 21 days per annum. Maternity leave is three months and paternity leave is two weeks. The employment agreement can, however, vary this upwards.

An employment agreement may either specify the period for which it's applicable or may set no period, but instead lay out the situations in which it may be terminated or deemed terminated.

Trade unions are formed to safeguard and champion the interest of either party. The employees' trade unions represent members in negotiating and concluding Collective Bargaining Agreements (CBA) with employers and in industrial disputes flowing from go-slows and strikes inter alia.

SOCIAL SECURITY

The only social security issues in Kenya are pensions and compensation for injuries sustained in the course of employment and loss of earning capacity.

Under the old NSSF Act which is still operational, an employer with more than four employees must make a monthly contribution of a maximum of KES 200 towards each employee's retirement. These are made to the National Social Security Fund (NSSF), a body established by statute. Failure to make contributions leads to penalties and interest being imposed on the company.

For injuries arising from the workplace, employees can only enforce a compensatory payment by instituting legal proceedings in the courts of law against the employer.

Article 43(1)(e) of the Constitution of Kenya provides that every Kenyan has a right to social security and article 21 of Constitution commits the State to take legislative, policy and other measures as necessary, including the setting the standard to ensure effective and efficient provision of social security.

NSSF ACT NO. 45, 2013

The National Social Security Fund Act No. 45 of 2013 was assented by the President of the Republic of Kenya on 24 December 2013 and came into force on 10th January 2014. The implementation of the Act was however halted by a court injunction that maintained a stay of the old rate as at August 2015.

The Act establishes that the National Social Security Fund provides Social Security for Workers and Self Employed Persons and their dependents.

For the purposes of the Act, the Upper Earning Limit (UEL) will be KES. 18,000 while the Lower Earnings Limit (LEL) will be KES 6,000. The pension contribution will be 12% of the pensionable wages made up of two equal portions of 6% from the employee and 6% from the employer subject to an upper limit of KES 2,160 for employees earning above KES 18,000.

The employee contribution shall be drawn directly from his salary and wages while the employers' contribution shall come directly from the employer.

The contributions relating to the earnings below the LEL of the earnings (a maximum of KES. 720) will be credited to what will be known as a Tier I account while the balance of the contribution for earnings between the LEL and the UEL (up to a maximum of KES 1,440) will be credited to what will be known as a Tier II account.

EMPLOYER OBLIGATION

- under the new National Social Security Fund (NSSF) Act, every employer who engages one or more employees is required to promptly register with NSSF as a contributing employer
- Ensure prompt registration of all employees as members of NSSF
- Promptly deduct and remit contributions in full by the 15th day of the following month. Late payments of mandatory contributions shall attract a penalty at the rate of 5% of the total contributions for each month or part of the month that is remitted late
- Promptly submit accurate monthly returns in the prescribed format by the 15th day of the following month
- Maintain proper and up to date records of employees' earnings and particulars
- An employer who fails to comply with the above commits an offence

MEMBERS OBLIGATION

- Under the new National Social Security Fund (NSSF) Act, every employee upon employment is required to furnish his/ her employer with accurate personal details
- Register only ONCE as a member of NSSF
- Where previously registered, produce his/her membership card as evidence of registration to a new employer
- Furnish to the Fund and regularly update his/her particulars and their dependents
- Keep membership card in safe custody

Under the National Social Security Fund (NSSF) Act, employers are required to remit contributions by:

- Cheques
- Bankers cheques
- Real Time Gross Settlement (RTGS)
- Electronic Funds Transfers (EFT)
- Cash subject to a maximum of KSH 5,000
- Through the NSSF M-PESA business No. 333300

However the NSSF Act 2013 is not yet implemented following pending court case.

6 – TAXATION

The Kenyan tax system comprises both direct and indirect form of taxes. This includes include Income Tax, Customs and Excise Duties and Value Added Tax (VAT).

Personal Identification Number (PIN) and VAT registration
Every natural or legal person is required by law to register and obtain a Personal Identification Number (PIN). This is the tax registration document.

An application for pin is done to the Kenya Revenue Authority (KRA) and can be done online as follows;

Register a local company as a taxpayer
Register a local individual as a taxpayer
Register a foreign individual taxpayer
Register a branch of a foreign company as a taxpayer

Types of taxes
The Kenyan tax system comprises both direct and indirect form of taxes. This includes include Income Tax, Customs and Excise Duties and Value Added Tax (VAT).
New investors are advised to familiarize themselves with the tax regime in Kenya. Penalties and interest levied on non-compliance with tax legislation is punitive.

Brief description of varies taxes is given below;

Corporate tax
Is a direct tax on profits made by corporate bodies and it has its legal basis in the Income Tax Act (Cap 470). It's payable at the corporation rate by companies and unincorporated organisations and associations (excluding partnerships, sole proprietorships, and interest or dividend paid by a designated co-operative society) that have taxable income as defined by the Act.

The income of a partnership or a sole proprietorship is not taxable on the business entity but is taxed on the individual partner or the proprietor. The tax rates differ between resident and non-resident companies as outlined in the table below.

ITEM	% RATE
Resident Company	30%
Unincorporated entity with a turnover of up to Shs 5 million - on gross receipts	3%
Non-resident company operating as a branch under Certificate of Compliance	37.50%
Export Processing Zones Enterprises	
First 10 Years	Nil
Next 10 Years	25%
Newly listed companies following year of listing	
List at least 20% of its shares	27% for 3 yrs
List at least 30% of its shares	25% for 5 Yrs
List at least 40% of its shares	20% for 5 Yrs
Real Estate Investment Trusts	Exempt

Companies are required to pay instalment taxes on income as the year progresses. For non-agricultural businesses, there are four instalments to be paid by the 20^{th} of the month as set out below:

- 1st instalment – 4th month

- 2nd instalment – 6^{th} month
- 3^{rd} instalment – 9^{th} month
- 4^{th} instalment – 12^{th} month.

Agricultural instalments are payable by the 20th day of the 9th and 12th month in the year of income.

A failure to pay leads to penalties. A company is supposed to use the previous years' income as a guide and an error rate of 10% is allowed on underpayment. Underestimation leads to a penalty of 20% on the difference between the instalment tax payable (based on actual results) and the amount of instalment tax paid, multiplied by a factor of 1.1. Further, a 1% penalty per month is charged on tax unpaid plus the penalty.

Withholding tax

Is deducted on payment by a resident person or non-resident person with a permanent establishment on certain income deemed to have been derived from Kenya (irrespective of whether paid to resident or non-resident persons)

For rates of withholding tax are found in THIRD SCHEDULE HEAD B of Income Tax Act cap 470

Value Added Tax (VAT)

The operation of VAT has its legal basis in the VAT Act 2013. Value Added Tax is charged on supply of taxable goods or services made or provided in Kenya and on importation of taxable goods or services into Kenya. Taxable goods and services are contained in the various schedules of the VAT Act. All goods and services are taxable except those excluded through the second and third schedules respectively.

The VAT Act constitutes the following schedules: -

1st Schedule -Specifies the exempt goods supplies, Exempt goods on transition and exempt services

2nd Schedule – Specifies Zero rated supplies

Excise Duty

Excise duty is imposed under the excise duty Act 2015 of laws of Kenya. The tax is levied on various products including alcoholic beverages, tobacco products, petroleum products, motor vehicles, carbonated drinks and mineral water, cosmetics, jewellery, bank charges and cell phone airtime.

1st schedule of the act provides rates of excise duty and 2nd schedule on supplies exempt from excisable goods and services.

Finance Act 2017 introduced the following amendments to the Income Tax Act Cap 470.

INCOME TAX

Special Economic Zones (SEZ's)

The Finance Act has introduced 150% Investment Deduction allowance for capital expenditure on buildings and machinery by an SEZ enterprise located outside Nairobi and Mombasa.

This change harmonizes the investment deduction allowance granted on qualifying capital expenditure incurred outside the Nairobi and Mombasa counties. **Effective date 1 January, 2018**

Local motor vehicle assemblers

The Finance Bill introduced a reduced corporate tax rate of 15% for companies whose business is the local assembly of motor vehicles for the first five years from the year they commence operations.

The Finance Act has now included a proviso stating that the 15% rate shall be extended for a further period of five years if the company achieves a local content equivalent to 50% of the ex-factory value of the motor vehicles effective **date 1 January, 2018.**

Petroleum industry

Capital expenditure incurred on the construction of transportation and storage facilities for petroleum products by the Kenya Pipeline Company Limited (KPC) will now qualify for investment deduction at either 150% or 100%. Currently, the petroleum pipeline is eligible for wear and tear allowance at 12.5%.
As the pipeline may traverse counties that are subject to either the 150% or 100% rate, there may be a need for KPC to apportion the capital costs accordingly. This will be effective date **1 January 2018**

Tax Procedures Act

Tax Amnesty on income earned outside Kenya

The Finance Bill had extended the period for the repatriation of funds that are subject to the tax amnesty to **30 June 2018.**
The Finance Act has clarified that where no funds have been transferred within the period of the amnesty (period up to 30 June 2018) there shall be a five year period for remittance but a penalty of 10% shall be levied on the remittance. However this still remains unclear from which date the five year period would begin especially since the period within which the KRA can assess a taxpayer generally prescribes after five years.

Tax representatives
The registration of tax representatives shall be in the name of the non-resident person being represented. In addition, a person may be a tax representative for more than one non-resident person, in which case the person shall have a separate registration for each non-resident person. The Commissioner shall also issue a PIN to the tax representative effective date **1 January 2018**,

BETTING, LOTTERIES AND GAMING ACT

Increased tax rate for betting, gaming and lottery operators

The Finance Act has increased the amount of betting, lotteries and gaming taxes with effect from **1st January 2018** as follows;

Tax Type	**Current Rate/Tax base**	**New Rate/ Tax Base**
Betting Tax	7.5% of the gaming revenue	35% of the gaming revenue
Lottery Tax	5% of the lottery turn-over	35% of the lottery turn-over
Gaming Tax	12% of the gaming revenue	35% of the gaming revenue
Prize Competition Tax	15% of the total gross revenue	35% of the total gross revenue

Key changes contained in the Finance Bill which took over immediately without any further changes

A resident entity operating in a preferential tax regime, such as an SEZ, is required to carry out business with a related resident person on an arm's length basis. **Effective date 3 April 2017.**

- Expenditure incurred by a taxpayer on donations for the alleviation of distress during national disaster as declared by the President will be deductible expenses for the taxpayer when determining taxable income. **Effective date 3 April 2017.**

- Dividends payable to non-residents by SEZ enterprises, developers and operators have been exempted from withholding tax. Management fees, professional fees, training fees and royalties payable by SEZ enterprises, developers and operators to a non-resident person shall be subject to withholding tax at the rate of 5%.
- Interest payments payable by SEZ enterprises, developers and operators to a non-resident person shall be subject to withholding tax at the rate of 5%. 100% Investment Deduction allowance has been granted on capital expenditure on buildings and machinery by an SEZ enterprise. **Effective date 1 January 2018.**
- Kenya Revenue Authority (KRA) officers have the power to enter and search any premises or vessels and seize, collect and detain evidence and produce such evidence in any proceedings before a court of law or tax appeals tribunal. **Effective date 3rd April 2017.**

- **With effect from 1 January 2018,** the resident withholding tax rates for pension withdrawals have been aligned with the expanded tax bands.

Note

The proposed tax bands will apply in respect of pension withdrawals made before the expiry of 15 years from the date of joining the fund from a registered pension fund, registered provident fund, the National Social
Security Fund or a registered individual retirement fund in excess of the tax free amounts as specified under the Income Tax Act.

Value Added Tax

New provisions introduced by the Finance Act

Zero rating of milk and cream
Milk and cream, neither concentrated nor containing added sugar nor other sweetening matter are now zero rated.
Previously, milk and cream of fat content by weight not exceeding 1% and exceeding 1% but not exceeding 6%was exempt from VAT. The Act has provided for zero rating of milk and cream of all fat contents. **Effective 3 April 2017.**

Zero rating of LPG
The Act has deleted the proposal contained in the Bill that sought to exempt supply of Liquefied Petroleum Gas ("LPG"). Prior to the proposed amendment, LPG was zero rated under the VAT Act, 2013. Therefore, in our view, the supply of LPG is now back to being zero rated. **Effective 3 April, 2017.**
Further, the Act has deleted the proposal contained in the Bill that sought to exempt taxable goods for use in the manufacture of LPG cylinders by licensed manufacturers. In our view, such a supply is now standard rated at 16%. **Effective 3 April, 2017.**

Zero rating of cassava flour
Cassava flour, as well as maize flour containing cassava flour by more than ten percent (10%) in weight, is now zero rated. The zero rating of cassava flour is in addition to the zero-rating of food commodities such as maize (corn) flour, wheat or meslin flour, ordinary bread, as proposed by the Finance Bill. **Effective 3 April, 2017.**

Zero rating of pest control products
The Act has zero rated agricultural pest control products, and all inputs and raw materials, whether produced locally or imported, supplied to manufacturers of agricultural pest control products.
This will however be subject to recommendation from the Cabinet Secretary for the time being responsible for matters relating to agriculture. **Effective 3 April, 2017.**

A boost to exporters
Transportation of cargo to destinations outside Kenya is *exempt* from VAT. Whilst this exemption is a welcome move, the exemption raises confusion as it conflicts with the VAT Regulations, 2017 which provide that services in relation to transportation of goods outside Kenya is considered as an export of service, and thus *zero-rated.* **Effective 3 April, 2017.**

Exemption of grain storage facilities

Materials for the construction of grain storage are now exempt. However, this is upon recommendation by the Cabinet Secretary for the time being responsible for agriculture. This move is aimed at ensuring that there are sufficient and affordable grain storage facilities for better food security. **Effective 3 April, 2017.**

Key changes contained in the Finance Bill that took over immediately without any further changes effective from 3 April, 2017)

- Zero rating of ordinary bread, maize (corn) flour, wheat flour, meslin flour.

- **Promoting the blue economy.**

Taxable goods supplied to marine fisheries and fish processors are zero rated, subject to recommendation by the relevant state department. It is hoped that the proposed change will revive the fisheries sector and ensure increased utilization of marine resources as part of economic growth agenda.

- **Left hand drive vehicles**

  Due to the challenges experienced by returning individuals on replacing their left hand vehicles with right hand vehicles, the Act has simplified the conditions. The returning resident may now import under zero-rate, a right hand vehicle as long as its current retail selling price does not exceed that of the previously owned left hand- drive vehicle..

- **Zero rating of services supplied to International and Regional organizations**

  Services imported by or supplied to donor agencies, international and regional organizations with diplomatic accreditation or bilateral or multilateral agreements with Kenya for their official use, are be zero rated.

- **Zero rating of services supplied for provision of relief services**

  Services imported or supplied for official use in the provision of relief service supplied to the National Red Cross Society and St. John Ambulance are zero rated.

- **VAT exemption for disabled persons**

  Exemption of materials, articles and equipment, including motor vehicles intended for the educational, scientific or cultural advancement, will apply to all disabled persons.

- **VAT exemption for medical equipment**

  Medical equipment and apparatus for use in specialized hospitals with a minimum bed capacity of 50 is exempt from VAT. This will however be subject to recommendation from the Cabinet Secretary responsible for health.

- **VAT exemption for postage and revenue stamps**

  Unused postage, revenue or similar stamps are exempt from VAT and will reduce the burden on licensed manufacturers who bear the cost of excise stamps.

- **VAT exemption for aircraft spare parts**

  Over and above the current VAT exemption provided to airplanes, other aircraft, and other parts of airplanes or helicopters, the Act exempts aircraft spare parts imported by aircraft operators or persons engaged in the business of aircraft maintenance. This will however be subject to recommendation from the Cabinet Secretary responsible for civil aviation.

- **VAT exemption for inputs for the manufacture of pesticides**

  This will however be subject to recommendation from the Cabinet Secretary for the time being responsible for matters relating to agriculture.

- **VAT exemption for locally assembled tourist vehicles**

The supply of locally assembled tourist vehicles shall be exempt from VAT. This is a positive move towards promoting local assemblers as well as the tourism sector. However, these must be purchased before clearance through Customs by tour operators upon recommendation by the competent authority responsible for tourism promotion, provided the vehicles meet specified conditions.

- **Indirect taxation of REITS and ABS**
- Asset transfers and other transactions related to the transfer of assets into Real Estates Investment Trusts ("REITs") and Asset Backed Securities ("ABS") are exempt from VAT. This is in line with the Government's policy to increase sources of financing for infrastructure projects by increasing the uptake of alternative infrastructure financing products.

TAX REFORMS UNDER THE TAX PROCEDURES ACT, 2015

Withholding vat

The Act has amended the Tax Procedures Act, 2015 (TPA) by introducing the following new provisions in regards to Withholding VAT, **Effective 3 April, 2017.**

• VAT withheld under the withholding VAT regime shall be remitted to the Commissioner on or before the twentieth (20) day of the month following the month in which the withholding was made. Previously, the Finance Bill proposed that withholding VAT was to be payable within fourteen (14) days after the tax was withheld.

• A person who fails to remit all the tax withheld by the due date is liable on conviction to a penalty of ten per cent (10%) of the tax involved.

Further, the Act has retained provisions exempting any supplier from the provisions of Withholding VAT where the supplier has sufficiently demonstrated that due to the nature of his business, these provisions may cause such a taxpayer to be in a continuous credit position for a period of not less than twenty-four months.

These changes have addressed challenges currently experienced by taxpayers. The requirement to remit the tax on or before the twentieth (20) day of the month following the month in which the withholding was made has greatly reduced the administrative burdens to taxpayers, and also aligns Withholding VAT administration to other taxes such as VAT and Withholding tax.

EXCISE DUTY CHANGES

The Finance Act 2017 has introduced amendments to the Excise Duty Act, 2015. Some of the changes to the Excise Duty Act had been captured under the Finance Bill, 2017 while others are new provisions that have been introduced into law.

New changes

Inflationary adjustment

The Finance Act provides for an inflationary adjustment to the rates of excise duty every two years instead of the provision for an annual adjustment as was provided for in the Excise Duty Act, 2015. This is a welcome move specifically for business planning purposes. **Effective 1 January 2018,**

The following changes **with effect from 3 April 2017** were introduced under the Finance Bill, 2017 and confirmed by the Finance Act, 2017.

• Paint and resin manufacturers who use illuminating kerosene to manufacture paint and resin are now required to be registered with the KRA in order to be entitled to a refund of the excise duty already paid for this purpose.

• The excise duty rate for spirits and other spirituous beverages of alcoholic strength exceeding 10% has increased from KES 175 to KES 200 per litre.

• There has been an introduction of a two tier excise duty structure for cigarettes from the current single rate of KES 2,500 per mile. Cigarettes without filters are now chargeable to excise duty at the rate of KES 1,800 per mille while cigarettes with filters are chargeable at KES 2,500 per mile.

• Powdered beer has been defined to mean any powder, crystals or any other dry substance, which after being mixed with water or any other non-alcoholic beverages ferment to or otherwise becomes an alcoholic beverage.
• Excisable goods supplied to St. Johns Ambulance for official use in the provision of relief supplies in Kenya have been exempted from excise duty.
• A new requirement with regards to left hand drive motor vehicles previously owned by returning residents has been introduced. The requirement, now, is that the "retail selling price" of the right hand drive replacement motor vehicle shall not exceed that of the previously owned left hand drive vehicle. Previously, the replacement motor vehicle was required to be of "equivalent value" and of the same make, engine rating and year of manufacture as the left hand drive motor vehicle. It is worth noting that "current retail selling prices" are determined by the KRA.
• The exemption of excisable goods purchased locally for use in the manufacture of sanitary towels. This amendment creates uniformity in the treatment of these raw materials by exempting local raw materials in line with the exemption already in place for imported raw materials.

EXCISE DUTY REGULATIONS

• The Excise Duty Remissions Regulation, 2017 provide for 80% remission of excise duty on beer made from sorghum, millet or cassava or any other agricultural produce grown in Kenya.
• **Effective 3 April 2017,** the Excisable Goods Management Regulations (EGMS), 2017 were introduced to address the administrative and other compliance obligations of excisable persons and repeal EGMS Regulations of 2013.Among other administrative matters, the regulations set the price of excise stamps for various excisable products.

THE MISCELLANEOUS FEES AND LEVIES ACT (NO. 29 OF 2016).

Export levy/duty

• **Effective 1 January 2018,** The Act has exempted from payment of export duty, goods exported to the Special Economic Zones (SEZs). In addition, imports by enterprises licensed under the SEZs Act will also be exempt from payment of Import Declaration Fee (IDF) when imported or purchased before clearance through customs.

DOUBLE TAX TREATY

Kenya has double tax treaties with the following countries:

Ratified & in force:

- United Kingdom
- Germany
- Canada
- Norway
- Denmark
- Sweden
- Zambia
- India.

Signed but not in force:
The following DTA's have been signed but have not been ratified by all the Contracting States and are therefore in NOT in force.

- Italy - 15.10.1979
- Tanzania & Uganda - 31.3.1999 L/N no. 45/1999 (Re-negotiated by EAC States on 23rd November 2005 in Arusha, Tanzania

DRAFT AGREEMENTS UNDER NEGOTIATION:
The following DTA's are at different stages of negotiation. For those that are in force, but under review, the existing DTA's continue to operate until the review is complete. This will be intimated through a Legal Notice revoking the existing one.

- Tanzania & Uganda (re-negotiatiated 23rd November 2005)
- France (2nd round negotiations, Nairobi, 3rd February 2006)
- Thailand {1st round negotiations, Bangkok, 7th July 2006}
- India {review 1st round, New Delhi, 14th July 2006}

DRAFT AGREEMENTS FOR NEGOTIATION:
The following draft DTA's are under discussions by the Task Force on Double Taxation & Investment Agreements under the chair of Ministry of Finance.

- Seychelles
- Nigeria
- South Africa
- Mauritius
- Finland
- Russia
- United Arab Emirates
- Islamic Republic Of Iran

7 – ACCOUNTING & REPORTING

All commercial enterprises are required to prepare accounts for the determination of corporate taxes payable.

The income of not-for-profit organisations is not taxable. However, these organisations have a requirement (set out in their constitutive documents) to prepare accounts, showing funds received and their application.

The Companies Act also lays out requirements which must be met in order for organisations to satisfy reporting requirements. In this regard, accounts must comprise the following:

- Balance sheet
- Profit and loss account
- Cash flow statement.

In addition, financial statements must comply with International Financial Reporting Standards (IFRS). This means that, in addition to the three requirements above, companies must prepare:

- A statement of changes in equity
- Explanatory notes to the financial statements
- Disclosures as required by the IFRS and International Auditing Standards (IAS).

Financial statements are required to be prepared every 12 months.

AUDIT REQUIREMENTS

An individual asked to sign an audit opinion should meet the requirements laid out by the Institute of Certified Public Accountants of Kenya (ICPAK).

Only registered auditors with the Registrar of Accountants Board (RAB) can express audit opinions on any set of accounts required by legislation or regulation for audit.

Audit examinations are either obligatory or initiative in nature. Obligatory audit examinations are established by law and are conducted for:

- Joint stock companies
- Bank, insurance companies and investment institutions.

Obligatory audit examinations should be conducted in accordance with standards approved by the IFRS and sector-specific regulations.

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8 – UHY REPRESENTATION IN KENYA

CONTACT DETAILS

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Total staff: 26

CONTACTS

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OTHER IN-COUNTRY OFFICE LOCATIONS AND CONTACTS

We operate from Nairobi, the capital city of Kenya. From this location, we can service clients in Tanzania and Uganda.

BRIEF DESCRIPTION OF FIRM

UHY Kenya/ Mungai & Associates has been in operation since 1976 and is currently one of the growing Certified Public Accountants and management consultancy firms in Kenya. We offer a wide range of financial consulting services all intended to assist clients to undertake and run successful business/ development initiatives in Kenya and other countries of East and Central Africa. The firm joined UHYI in 2006.
UHY Kenya Mungai & Associates (the 'Firm') is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

SERVICE AREAS

Audit
Accountancy
Taxation
Tax News on monthly basis
Internal audit
Risk-based audit
Payroll processing
Company formations
Recruitment of accountants
Investigations

SPECIALIST SERVICE AREAS

Receivership and liquidations
Company valuations
Due Diligence assignments
Tax planning
Investment appraisals
Filing of annual returns
Risk base auditing
Audit of non-governmental organisations

PRINCIPAL OPERATING SECTORS

Agriculture

LANGUAGES

English is the working knowledge while Kiswahili is the national language.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

United States of America.
Denmark
Canada
Malaysia
Netherlands
Germany
Spain
Israel
Malaysia

BRIEF HISTORY OF FIRM

Founded in 1976 as Mungai & Associates, the firm has had its fair share of challenges. We have continued to service our medium sized clients especially in the areas of audit, tax etc.
In 2006, we joined the UHYI and continue to support the global effort of growing a bigger firm to the satisfaction of our clients.
We have adequate local resources to ensure that our clients receive value added services in any assignments that we undertake.

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.

UHY is an international network of legally independent accounting and consultancy firms whose administrative entity is Urbach Hacker Young International Limited, a UK company. UHY is the brand name for the UHY international network. Services to clients are provided by member firms and not by Urbach Hacker Young International Limited. Neither Urbach Hacker Young International Limited, the UHY network, nor any member of UHY has any liability for services provided by other members.

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