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# Africa (Common Law Countries)

# REGIONAL DEVELOPMENTS

# Africa (Common Law Countries)*

## I. Kenya

### A. Rationalization and Reduction of Custom Tariffs

With effect from June 1994, import duties in the 40 percent and 50 percent tariff bands are to be combined into one 45 percent tariff band. All items in the 25 percent import duty tariff band are to be lowered to 20 percent. All capital equipment and parts in the old 20 percent import duty tariff band will be lowered to 15 percent.

The government further announced a reduction in import duties on certain items. Import duty on zinc was lowered to 10 percent, while import duty on all forms of lead was reduced to 15 percent. Import duty on tin was reduced to 10 percent.

All existing export duties have been revoked with effect from June 1994.

### B. Changes in Value Added Taxes (VAT) Regime

With effect from September 1, 1994, photographic services, and balloon, safari, and park services (excluding car park facilities supplied by a local authority or by an employer to its employees on the employer's premises) are subject to VAT. All goods subject to the luxury goods rate of 40 percent were reduced to 30 percent.

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Equally, certain goods had their VAT categories changed. Wooden railway sleepers, printing machinery, metal sawing machines, and refined salt have now been changed from the exempt category to the 5 percent category of goods. Cinematographic film, metal road traffic signs, and rods will become taxable at the standard rate of 18 percent.

### C. Withholding Tax

From October 1, 1994, the government imposed a 10 percent withholding tax on gross payments made on work done under a contract by an individual not doing business under a registered business name where the gross payment exceeds Ksh 24,000 per month (about US$428.50).

### D. Changes in Stamp Duties

With effect from June 1994, stamp duties for urban land transfers were reduced from 6 percent to 4 percent, and for rural land transfers, from 4 percent to 2 percent. Also, stamp duties on bills of exchange and promissory notes have been abolished with effect from June 1994.

## II. Namibia

### A. New Licensing Exercise for Oil and Gas Exploration

The Government of the Republic of Namibia has decided to conduct a second petroleum licensing round for oil and gas exploration in Namibia. Consequently, from October 9, 1994, the Namibian government has invited foreign oil and gas corporations to apply for exploration licenses covering both onshore and offshore blocks and acreages.

Each applicant is expected to provide the following information: (1) the name, address, and country of registration of the applicant; (2) the nature of the applicant's business, as well as the applicant's financial strength; (3) a description of full work programs; (4) a geological and geophysical evaluation of the license area; and (5) a nonrefundable fee of N$30,000 (about US$8287.20). Applications are expected to conform with the Petroleum (Exploration & Production) Act 1991, the Petroleum (Taxation) Act 1991, and the 1994 Model Petroleum Agreement.

Applications, in duplicate, must reach the Permanent Secretary, Ministry of Mines & Energy, Namibia, not later than 1600 hrs. Namibian time on July 31, 1995.

## III. South Africa

### A. Secondary Taxes on Companies

Partly to compensate for the reduction in the rates of corporate taxes that took effect April 1, 1994, the government of South Africa in June 1994 announced

the increase of the Secondary Tax on Companies from 15 percent to 25 percent with immediate effect.

### B. Changes in the General Export Incentive Scheme (GEIS)

The GEIS was introduced in 1989 to offer corporations exporting manufactured goods from South Africa a wide range of subsidies and tax exemption as incentives. With effect from March 1, 1995, the tax exemption will be withdrawn. All subsidies currently paid out to exporting corporations will be phased out over three years, and the GEIS will be scrapped completely by the end of 1997.

### C. Introduction of Transition Levies

The South African Government has introducted a transition levy on both individuals and corporations with taxable income in excess of R 50,000 (about US$13,623.90). For individuals, the levy will be 5 percent, of which 3.33 percent, based on 1995 taxable income, is to be collected by February 28, 1995. The balance of 1.67 percent, to be based on 1996 taxable income, is to be collected by August 1995. For corporations, a rate of 5 percent will apply on taxable income of corporations in excess of R 50,000 in respect of years of assessment ending during the period of twelve months up to March 31, 1995. This levy, which is an ad hoc arrangement, is to defray some of the costs incurred by the government in the transition to democracy.

### D. Removal of Import Surcharge

With effect from June 1994, the Government of South Africa has removed all import surcharges on all capital and intermediate goods, that is, all goods carrying the 5 percent surcharge. This initiative, the government said, is directed at stimulating investment, growth, and jobs.

## IV. Zimbabwe

### A. New Corporate Tax

The Government of the Republic of Zimbabwe has announced that it intends to reduce the rate of corporate taxes from 40 percent to 37.5 percent with effect from April 1, 1995.

### B. Abolition of Tax Allowance in the Mining Sector

Presently, 5 percent of the value of proceeds of corporations in the mining sector may be deducted from income in calculating taxable income. The Government of the Republic of Zimbabwe has announced that with effect from April 1, 1995, it will remove this allowance.