



SPECIAL ISSUE

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LEGAL NOTICE NO. 132

THE INCOME TAX ACT

(Cap. 470)

CRITERIA FOR THE DETERMINATION OF REBATE

IN EXERCISE of the powers conferred by section 15 (2) (ab) of the Income Tax Act, the Cabinet Secretary for Energy issues the conditions set out in the Schedule hereto for the deduction of an additional 30% of electricity costs incurred by manufacturers.

SCHEDULE

1. This rebate program shall not apply to manufacturers involved in the generation, transmission and distribution of electrical energy and shall be subject to the Key Performance Indicators (KPIs) specified in the table below—

Table 1: Targets and Weights for the KPIs for Manufacturers

	Increase in Electricity Consumption (D)	Increase in Capital Investment (C)	Increase in Sales Revenue (R)
Annual Target in Percentage (%) (T)	10%	10%	10%
Weight (W)	0.30	0.30	0.40

2. The rebate entitlement shall be based on an Actual Overall Performance (AOP) in accordance with the formula below —

$$AOP = \frac{\sum(W_D * D + W_C * C + W_R * R)}{((T_D * W_D) + (T_C * W_C) + (T_R * W_R))}$$

Where; AOP is Actual Overall Performance;

W_D is Weight allocated to the Demand;

W_C is Weight allocated to increase in Capital Investment;

W_R is Weight allocated to increase in Sales Revenue;

D is actual percentage increase in Electricity Consumption;

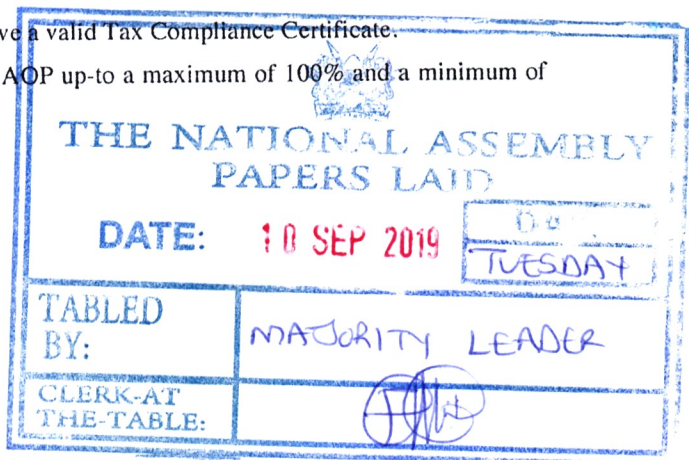
C is actual percentage increase in Capital Investment;

R is actual percentage increase in Sales Revenue;

T_D, T_C and T_R is the target growth in Demand, Capital Investment and Sales Revenue respectively.

Note:

- (a) The manufacturer must have a valid Tax Compliance Certificate.
- (b) The rebate is based on an AOP up-to a maximum of 100% and a minimum of 0%.



- (c) A manufacturer with an AOP of 100% qualifies for a maximum rebate of an extra 30% of the electricity cost incurred for purposes of computation of taxable income.
- (d) In the first year of claim, 20% of the cost of electricity from the grid will be allowed and the remaining 10% by the weighted Key Performance Indicators.
- (e) For subsequent years, the rebate claimed will be determined by the weighted Key Performance Indicator.

3. The Evaluation Mechanism is as set out in the table below —

Table 2: Evaluation Mechanism Criteria

<i>KPI</i>	<i>Measure</i>	<i>Evidence</i>	<i>Weight (W)</i>
Increase in electricity consumption by 10% for manufacturers (based on Small Commercial (SCs) and Commercial Customers (CIs) categories.	Total annual electricity consumption (Grid electricity).	Total electricity bills of the manufacturer.	0.30
Increase in Capital Investment by 10%	Additional capital investment injected by the company.	Books of accounts.	0.30
Increase in Sales Revenue by manufacturers by 10%	Turnover. It was noted that corporate tax claims are done before filing returns. One should provide for this in the books.	VAT returns Books of accounts Customs entry.	0.40

Note:

- (a) The Ministry of Energy may request the Kenya Revenue Authority to conduct an audit to evaluate the rebate.
- (b) The manufacturer must submit a baseline report certified by an external auditor to the Ministry of Energy as a self- declaration form.
- (c) The manufacturer shall submit quarterly financial reports to the Kenya Revenue Authority.

Dated the 30th July, 2019.

CHARLES KETER,
Cabinet Secretary for Energy.