

Tax Alert

Tax rebate for graduate apprenticeships



Introduction

The Income Tax (Set-Off Tax Rebate for Graduate Apprenticeships) Regulations, 2016 are now published.

In the Budget Statement for 2011/2012, the Minister for Finance stated that the government would enter into consultations with the private sector players on the best ways to extend tax breaks for firms offering internship and training placement for Kenyan youth.

In the Budget Statement for 2016/2017, the Cabinet Secretary (“CS”) for the National Treasury proposed the gazettement of Regulations to operationalize the tax rebate scheme.

Commencement of the Regulations

The CS published the Income Tax (Set-Off Tax Rebate for Graduate Apprenticeships) Regulations, 2016 on 9th June 2016 with the backdated commencement date being 1st April 2016.

The CS further appointed the Director-General of the National Industrial Training Authority (“NITA”) to operationalize the Regulations.

The Rebate

Eligible employers shall be allowed to deduct a tax rebate equal to fifty percent (50%) of the amount of salaries and wages paid to at least ten (10) apprentices.

The rebate is in addition to the corporate tax deduction (100% of expense incurred) already allowed under Section 15 of the Income Tax Act for the expenditure incurred in relation to salaries and wages.

Salient features of the apprenticeship envisaged under the rebate scheme

The Regulations set the conditions that a qualifying apprenticeship programme should meet before an employer can avail itself the rebate under the scheme. These conditions include the following:

- The apprentices shall be engaged for a period of six (6) to twelve (12) months during the relevant year of income;
- The apprentices shall be graduates of universities recognized in Kenya;
- The contract of apprenticeship shall be registered with the NITA Directorate before the graduate apprentice is engaged;

September 2016



- The employer will be obliged to present a certificate of completion to the NITA Directorate and issue a copy of the same to each apprentice after the period of apprenticeship;
- The NITA Directorate shall in return issue a certificate of apprenticeship to the apprentice;
- For purposes of deducting the tax rebate, the employer shall maintain certified copies of the contract of apprenticeship and the certificate of apprenticeship issued to each apprentice; and
- No deduction shall be allowed after a period of three (3) years from the due date of the employer's last tax return.

Employers' obligations with respect to NITA

Employers must be compliant with NITA requirements in order to benefit from the tax rebate scheme.

In this regard, the Industrial Training Levy Order, 2007 under the Legal Notice No. 113 of 14 June 2007 requires a person who is an employer at the commencement of the Industrial Training Levy Order, 2007 to, unless already registered with NITA, apply to be registered (in a specified form) and to pay Industrial Training Levy at the rate of KES 50 per employee per month from July 2007, or within thirty days of becoming an employer.

The Director of NITA shall issue a certificate of registration to an employer registered under this Order.

All employers are required to pay to the Directorate the monthly levy on or before 10th of the following month. Payment of the levy due should be accompanied by a monthly return in the prescribed form.

Only employers in the Hotel & Restaurant industry (registered under Hotels and Restaurants Act Cap 494 of Kenya) are exempt from paying the industrial training levy owing to the fact that these employers are obliged to pay Hotel & Catering levy.

Failure to pay the training levy attracts a 5% penalty every month the amount due remains unpaid.

How can PwC support you?

Our support services include:

- Assisting employers register with NITA in accordance with the Industrial Training Levy Order, 2007;
- Computation of outstanding training levy payments and advice on the payment procedures; and
- Reviewing requirements and assisting employers with the application for the tax rebate from the NITA Directorate.

Concluding remarks

We have only highlighted the key points for your information but please contact

any of the following should you have a query or require further advice.



Steve Okello
Director
steve.x.okello@ke.pwc.com
+254 (20) 285 5533



David Mwiti
Senior Manager
david.mwiti@ke.pwc.com
+254 702 004 105



Paul Ndirangu
Assistant Manager
paul.ndirangu@ke.pwc.com
+254 (20) 285 5192