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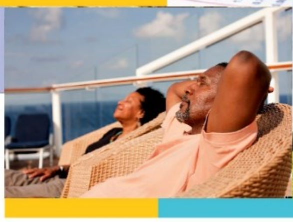

We are pleased to bring you the latest updates following the recent passage of the Tax Laws (Amendment) Act by the National Assembly on December 4, 2024. These amendments introduce several significant changes that directly impact the retirement benefits sector and its investments, effective December 27, 2024.

Key Highlights:

1. Increased Tax-Exempt Contributions
   - The Act has increased the tax-exempt amounts for contributions to registered retirement benefits schemes from KES 240,000 to KES 360,000 per year and from KES 20,000 to KES 30,000 per month.
   - This increase aims to encourage a stronger saving culture for retirement purposes among individuals and employers, thereby boosting retirement savings and ensuring financial security for retirees.
2. Tax-Free Access to Benefits in Retirement
   - Payment of retirement benefits from a registered retirement benefits scheme and NSSF upon attaining the retirement age shall be exempt from tax.
   - Further, the following retirement benefits shall also be tax-exempt:
   - Individuals withdrawing from the fund after 20 years of membership will also enjoy tax-free access to their benefits.
   - Members entitled to access their benefits under medical retirement grounds will not be required to pay any tax on their retirement benefits.
   - This exemption is a significant step towards enhancing the financial well-being of retirees.

OUR VISION

"To be the first point of reference for all retirement benefits matters and a key facilitator of rapid development of a vibrant retirement benefits industry for all Kenyans".

OUR MISSION

"To be a strong, effective and recognized forum to represent and promote the interests of member schemes and other stakeholders through innovative advocacy and education"

OUR GOALS

Central to the services to members are:

1. Member Education Programme
2. Lobbying for changes
3. Communication on industry changes
4. Problem solving assistance

3. Incentives for Home Ownership
    - The Act has increased the deductible interest limit for mortgages from KES 300,000 to KES 360,000.
    - This change will incentivize homeownership among individuals, aligning with the Housing and Settlement pillar of the Bottom-up Economic Transformation Agenda (BETA).
    - For Retirement Scheme members, this means greater opportunities to invest in residential properties with favourable tax benefits.
4. Enhancing Employee Benefits
    - Employers can now provide enhanced employee benefits, including meals, non-cash payments, and gratuity, which are exempt from tax.
    - This change not only improves employee welfare but also increases the disposable incomes of employees, making retirement plans more attractive to potential members.
5. Supporting Local Investments
    - The Act has reduced the rate of capital gains tax from 15% to 5% for firms certified by the Nairobi International Financial Centre Authority.
    - This reduction, coupled with a lower investment threshold, is a key incentive for firms to invest substantial amounts in Kenyan entities.
    - Retirement funds can leverage this opportunity to diversify their investment portfolios and achieve better returns.
6. Exemptions for Development Projects
    - Income earned by non-resident contractors, subcontractors, consultants, or employees directly related to fully financed grant projects is now exempt from tax.
    - This exemption supports development projects and can lead to increased investment opportunities for retirement funds in infrastructure and other development sectors.

Additional Key Highlights:

Amendments to the Income Tax Act

1.Tax Allowable Deductions for Contribution to a Post-Retirement Medical Fund

- The Act now introduces a tax allowable amount of KES 15,000 per month (KES 180,000 per year) for contributions to a post-retirement medical fund.

2. Registration of Retirement Benefits Schemes

    - The definition of registered retirement benefits schemes in the Income Tax Act has now been amended to exclude the requirement for registration of the scheme trust deed and rules with the Commissioner of Domestic Taxes (KRA).
    - This means that upon registration by RBA, a scheme shall be deemed as a registered retirement benefits scheme. Prior to this change, a sponsor of a scheme was required to file the scheme trust deed and rules for approval and registration by the Commissioner of Domestic Taxes (KRA) to be recognized as a registered scheme.

Expected Action by the Schemes

1. Review of Trust Deed and Rules

    - The scheme is required to amend its trust deed and rules to incorporate the new legal provisions where necessary.

2. System Amendments by the Administrator

    - The administrator shall be required to amend, and confirm in writing, the amendment to their systems to:

- Specify the revised tax-exempt contribution limits for both regular contributions and the post-retirement medical fund.
- Retirement benefit payments to members should be granted tax exemption, in accordance with the revised tax regulations, as follows:
    - Benefits upon attainment of the normal retirement age of the scheme.
    - Benefits paid on ill health grounds.
    - Benefits paid to members who have been in the scheme for at least 20 years.
    - Income drawdown benefits.

3. Review of Policy and Procedures for Ill Health Retirement Approval

    - In order to avoid potential exploitation and ensure compliance, schemes shall be required to review its policy and procedures for approval of application for ill health retirement approval.

Conclusion:

The recent tax act amendments present numerous opportunities for the Retirement Benefits sector to enhance retirement savings, provide better benefits to members, and invest in local projects with favorable tax conditions. We encourage all members to review these changes and consider how they can be leveraged to maximize benefits for both the funds and their members.