

# UNRAVELLING THE REGULATORY & TAX FRAMEWORKS:

A detailed look into the regulatory and tax climate and its effects on pension & institutional capital flows into the real estate sector

## Panellists

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Patrick Obath  
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## Moderator

Ezekiel Macharia Mburu

3:30pm – 4:30pm  
24 April 2018

# AGENDA

## Key Items

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- Pension Sector Assets
- Statutory Maximum Asset Allocation - Pension
- Insurance Sector Assets
- Regulations in Insurance
- Planned Taxes for Big Four
- Questions for Panelists

# KENYA PENSION ASSETS

Asset Growth 2015-2017



## KENYA: PENSION ASSETS (2015-2017) - KES BILLIONS

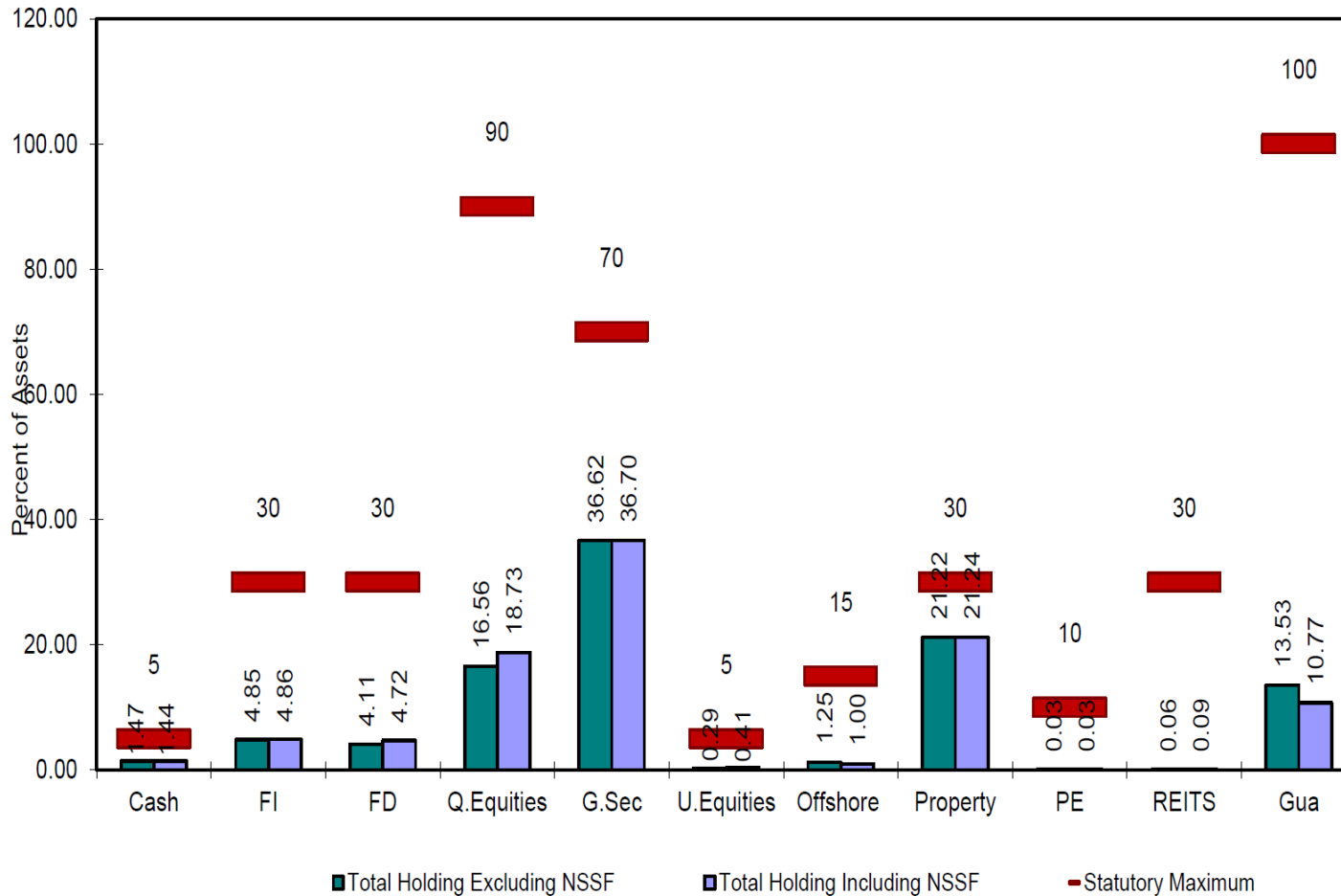
Assets Category	2015	2016		2017
	Dec	Jun	Dec	Jun
1 Government Securities	242	212	349	353
2 Immovable Property	151	127	178	205
3 Quoted Equities	187	130	159	180
4 Guaranteed Funds ( <i>Insurance Companies</i> )	99	102	130	104
5 Listed Corporate Bonds	48	39	47	47
6 Fixed Deposits	56	28	25	45
7 Cash	11	9	13	14
8 Offshore	7	5	7	10
9 Unquoted Equities	3	63	4	4
10 REITS		0	1	1
11 Private Equity	0	0	0	0
12 Commercial paper				0
13 Others/Unclassified	10	118	0	0
<b>TOTAL</b>	<b>814</b>	<b>832</b>	<b>913</b>	<b>963</b>
<i>Growth (six months)</i>		2%	10%	6%

- Pension assets stood at KES 963b (\$9.6b) in Jun 2017.
- Grow by 6% every six months.
- **Excludes Government Pension Scheme**
- Property Investment Stood at KES 205b (\$2b)
- Limited investment in REITS

\*Source: Retirement Benefit Authority - [www.rba.go.ke](http://www.rba.go.ke)

# Statutory Maximum Asset Allocation

## Kenya – Pension Industry



- Property asset class has a statutory maximum of 30% of total assets. Currently at 21%.
- REITS also have a 30% allocation but only a 0.09% allocation in June 2017
- Pension Industry is generally compliant to the set statutory maximum asset allocation

# INSURANCE SECTOR ASSETS



As at 31 Dec 2017

## KE: INSURANCE SECTOR AS AT 31 DEC 2017 (in KES Billions)

	Life Insurance	General Insurance	Total
Government Securities	190	66	257
Investment Property	40	35	76
Ordinary Shares Quoted	34	11	45
Term Deposits	23	17	40
Outstanding Premiums	6	34	40
Other Assets	18	11	29
Investment in Related Companies	6	9	15
Corporate Bonds	10	4	14
Other Securities	11	0	11
Cash and Cash Balances	3	6	9
Ordinary Shares Unquoted	5	4	9
Land And Buildings	3	6	9
Intangible Assets	2	7	9
Other Receivables	2	6	8
Loans Secured & Unsecured	5	2	7
Mortgages	3	2	4
Other Fixed Assets	1	2	3
Commercial Papers	0	0	0
Preference Shares Quoted	0	0	0
Debentures	0	0	0
Preference Shares Unquoted	0	0	0
<b>Grand Total</b>	<b>364</b>	<b>221</b>	<b>585</b>

- Insurance sector assets stood at KES 585b (\$5.8b) in Dec 2017.
- **Excludes NHIF Assets**
- Property Investments were KES 76b (\$0.7b)
- Includes KES 104b accounted for in the pension sector under Guaranteed Funds

# REGULATIONS IN INSURANCE

## Risk Based Supervision

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- Concentration Limits (Maximum investment)
  - Property – 30% of total assets (Industry at 12%)
  - Investment in Related Parties – 10%
- Risk Based Capital Charges
  - Land & Buildings – 40% capital charge
  - Investment Property – 40%

# PLANNED TAXES FOR BIG FOUR

Kenya Government Policy (2018-2022)

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## New Tax Targets for 2019 (*Robin Hood Taxes*)

- Mobile Money Transactions
- High Value Bank Transactions (RTGS)
- Air Fares

Target KES 4b in 6 months



# QUESTIONS FOR PANELISTS



## Talking Points

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- What has been the observed impact of the new risk based capital charges for property investment in Insurance?
- The capital charges are lower for life insurance companies compared to General companies. Do we expect to see more long-term projects
- Do we expect to see more collaboration between financial institutions on property investments
- Should pension schemes play a bigger role in the property sector given the long-term nature of pension funds
- Are Real Estate Investment Trusts (REITs) attractive to investors. Are they well understood by the average investor.
- Given the relatively high property prices, are yields too low? Do we see this affecting future investment in property
- The Big Four Agenda, talks about housing, what is best way for the financial sector to take advantage of this government policy.