

2025/2026

KENYA TAX GUIDE

ABOUT ADAMJEE AUDITORS

Adamjee Auditors is a leading audit and advisory firm providing assurance, tax, and consulting services to businesses across Kenya and other regions.

This guide presents a concise yet comprehensive overview of Kenya's tax framework for the 2025/2026 fiscal year, designed to assist businesses in understanding their obligations and planning effectively.



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1. Personal Income Tax

Tax Rates for Resident Individuals (2025/2026)

An individual is considered a tax resident in Kenya if they meet any of the following conditions:

- They have a permanent home in Kenya and are present in the country at any time during the year under review; or
- They do not have a permanent home in Kenya, but:
 1. Spend 183 days or more in Kenya within that year; or
 2. Are present in Kenya during that year and the two preceding years, with an average stay exceeding 122 days per year.

Annual Income (KES)	Tax Rate
0 to 288,000	10%
288,001 – 388,000	25%
388,000-6,000,000	30%
6,000,001 – 9,600,000	32.5%
Above KShs 9,600,000	35%

Available Tax Reliefs

Personal Relief: KShs 28,800 per year (equivalent to KShs 2,400 per month)

Mortgage Interest Deduction: Applies to owner-occupied residential property (purchase, construction, or improvement)

Maximum allowable deduction: KShs 360,000 per year

Insurance Relief: Covers life, health, and education insurance

Relief is 15% of premiums paid, capped at KShs 60,000 per year



Tax-Free Benefits



- **Low-Value Non-Cash Benefits**

Non-cash benefits not exceeding KShs. 60,000 per annum are exempt (increased from KShs. 36,000 effective November 2024).

- **Per Diem Allowance**

Daily subsistence allowance of up to KShs. 10,000 for employees working outside their usual place of work is tax-free. Any excess is taxable.

- **Mileage Reimbursement**

Mileage claims reimbursed based on Automobile Association of Kenya (AAK) approved rates are non-taxable where they qualify as reimbursements.

- **Staff Meals**

Meals provided by the employer, either directly or through a third party, are exempt where the value does not exceed KShs. 60,000 per employee per year (effective November 2024: KShs. 36,000).

- **Disability-Related Tax Reliefs**

Registered persons living with disabilities are entitled to:

A monthly tax exemption of up to KShs. 150,000 on employment income, and a deduction of up to KShs. 50,000 per month for non-reimbursed hospital expenses (Subject to approval by the Commissioner; valid for 5 years)

- **Life Insurance Premiums**

Premiums paid for life insurance policies covering the employee or their dependants are deductible

- **Ajira Digital Program Income**

Income earned by individuals registered under the Ajira Digital Program is tax-exempt for a period of three years from 1st January 2020, up to a lifetime cap of KShs. 10 million per individual.

- **Social Health Insurance Contributions**

Contributions made to the Social Health Insurance Fund are allowable deductions in determining taxable income.



Tax-Free Benefits

- **Medical Benefits (Employees & Directors)**

Medical benefits provided to full-time employees and whole-time service directors (holding less than 5% shareholding), including their dependants (spouse and up to four children under 21 years), are fully tax-exempt.

- **Medical Benefits (Other Individuals)**

Medical benefits provided to non-whole-time directors, partners, and sole proprietors including their dependants are exempt up to a maximum of KShs. 1 million.

- **Gratuity & Pension Payments**

Payments made by an employer as gratuity or similar benefits for services rendered, where paid into a registered pension scheme, are tax-free up to KShs. 360,000 per annum (as amended in November 2024).

- **Employer-Sponsored Education**

Education expenses incurred by an employer for an employee's dependants or relatives may be exempt, depending on the employer's policy.

- **International Employee Passage Costs**

The cost of passage for non-citizen employees recruited outside Kenya to take up employment in Kenya is tax-exempt.

- **Club Entrance & Subscription Fees**

Fees paid by the employer for club membership are not treated as taxable income for the employee.

- **Affordable Housing Levy Contributions**

Contributions made by employees towards the Affordable Housing Levy are allowable deductions when computing taxable income (effective December 2024).

- **Post-Retirement Medical Fund Contributions**

Contributions to a post-retirement medical fund are deductible up to the lower of KShs. 15,000 per month or one-third of total income (effective December 2024).



Taxable Employment Benefits

Motor Vehicle Benefits

Motor vehicle benefits are taxed at 2% per month of the higher of the initial cost of the vehicle or the prescribed scale rates. The following table outlines the prescribed rates for different vehicle types:

Vehicle Type	Monthly (KShs)	Yearly (KShs)
Motor Cars - Saloon, Hatchbacks & Estates		
Up to 1200cc	3,600	43,200
1201 to 1500cc	4,200	50,400
1501 to 1750cc	5,800	69,600
1751 to 2000cc	7,200	86,400
2001 to 3000cc	8,600	103,200
Over 3000cc	14,400	172,800
Pickups, Panel Van (Unconverted)		
Up to 1750cc	3,600	43,200
Over 1750cc	4,200	50,400
Land Rovers and Cruisers	7,200	86,400

Note: Range Rovers and cars of similar nature are classified as saloons.

Special Provisions:

- Leased and hired vehicles are taxed at the cost of hiring or leasing.
- Where there is restricted use, the Commissioner may, upon application, determine a lower rate based on usage.

Taxable Employment Benefits

Domestic Benefits

Benefits including staff meals, club subscriptions, house helps, water, security, electricity, etc., are taxable at the higher of the cost or fair market value. Prescribed rates for certain benefits are as follows:

Benefit	Prescribed Rate
Telephone (incl. mobile)	30% of cost to employer
Furniture	1% of cost to employer
Water (provided communally)	KShs 500 (KShs 200 for agricultural employees)
Electricity (provided communally)	KShs 1,500 (KShs 900 for agricultural employees)

Housing Benefits

Housing benefits are valued at the higher of market rental, actual rent paid, and:

- For directors: 15% of total income
- For whole-time service directors: 15% of total employment income
- For employees: 15% of total employment income
- Agricultural employees: 10% of total employment income

Where total employment income exceeds KShs 600,000 p.a., the rental benefit is the higher of rent paid and fair market value.

Rental received from an employee is deducted in calculating the housing benefit.



Taxable Employment Benefits



Employee Loans

Loans granted after 11th June 1998 are subject to Fringe Benefit Tax payable by the employer at the resident corporate tax rate on the difference between the market interest rate and the interest paid by the employee.

Registered Employee Share Ownership Plan

Taxable on the employee based on higher of the cost to the employer or the fair market value of the benefit. The benefit accrues when the employee exercises the option.

Shares Issued In Lieu of Cash Emoluments By Start-Ups

Taxation of benefit of shares issued by a start-up to its employees in lieu of cash emolument shall be deferred and taxed within thirty days of the earlier of:

- a) the expiry of five years from the end of the year of the award of the shares;
- b) the disposal of the shares by the employee; or
- c) the date the employee ceases to be an employee of the eligible start-up.

The value of the taxable benefit shall be the fair market value of the shares at the earlier of the occurrence of the events contemplated in paragraphs (a), (b) or (c); or where the fair market value is not available, the Commissioner shall determine the value of the shares based on the last issued financial statements.

Club Entrance & Subscription Fees

Club entrance and subscription fees allowed against the employer's income are taxable on the employee.



Pension and Provident Funds



Deductible Contributions

Deductible contributions to registered funds in respect of employees is the lower of:

- 30% of pensionable income
- Actual contribution, or
- KShs 360,000 per annum (KShs 240,000 up to November 2024)

Tax-Exempt Bodies

From 1st July 2004, employees of tax-exempt bodies are taxed on the contributions made on their behalf by employers to an unregistered fund or on the excess contribution made to a registered fund

Tax Exemption on Pension Receipts

The first KShs 300,000 per annum of the total pension or retirement annuities received by a resident taxpayer are exempt from tax.

Monthly Pension Payments Exemption

Monthly pension payments to persons who have attained retirement age or withdrawals prior to attainment of retirement age due to ill health or after twenty years from the date of registration as a member of a fund or payment of gratuity or other allowances under public pension scheme are tax exempt effective 27th December 2024.

Tax Exempt Lump Sum Withdrawals

The following lump sum withdrawals are tax exempt:

1. Lump sum commuted from a registered pension fund - the first KShs 600,000
2. Withdrawal from a registered pension fund upon termination of employment - KShs 60,000 for each year of pensionable service subject to a maximum of KShs 600,000
3. Withdrawal from a registered provident fund (or defined contribution fund) - KShs 60,000 for each year of pensionable service subject to a maximum of KShs 600,000 plus all lump sums from segregated funds on contributions made prior to 1st January 1991
4. A one-off final lump sum payment from a registered fund to the estate of a deceased - the first KShs 1.4 million
5. The first KShs 600,000 of NSSF benefits
6. Withdrawals above these limits are subject to withholding tax based on length of service

Surplus Refunds

Any surplus refunded to or withdrawn by an employer from a registered fund is taxable on the employer.

2. Employer's Other Obligations

Employers in Kenya must adhere to the following statutory obligations:

- Deduct and remit PAYE by the 9th of the following month
- Contribute to NSSF at 12% of pensionable earnings (50% employee, 50% employer) - remit by 9th of following month
- Contribute to Social Health Authority (SHA) at 2.75% of gross pay - remit by 9th of following month
- Deduct and remit Affordable Housing Levy at 1.5% of monthly gross salary - remit within 9 working days after month end
- Pay NITA Levy at KShs 50 per employee - remit by 9th of following month
- File monthly PAYE returns via iTax
- Maintain proper records of all taxable employment benefits
- Apply Fringe Benefit Tax on employee loans granted after 11th June 1998
- Register all employees for statutory deductions irrespective of number of employees



Quick Reference Guide

Obligation	Rate/Amount	Employee Share	Employer Share	Due Date
PAYE	Variable	100%		9th of following month
NSSF	12% of pensionable earnings	6%	6%	9th of following month
SHA	2.75% of gross pay	2.75%	Deduct only	9th of following month
Housing Levy	1.5% of gross salary	1.5%	Deduct only	9 working days after month end
NITA Levy	KShs 50 per employee		100%	9th of following month

Penalties and Compliance

- Housing Levy non-compliance: 3% per month on unpaid amounts
- Late PAYE remittance: Penalties and interest as per Tax Procedures Act
- Compulsory registration required for all employers



3. Income Tax- Corporations

Corporations operating in Kenya must adhere to several key income tax regulations. Here's a summary of the essential points:

- Pay corporate income tax at 30% for resident companies (effective 1st January 2021)
- Withhold tax on dividends distributed from untaxed gains or profits at 30%
- Apply Turnover Tax at 1.5% of gross receipts for businesses with turnover between KShs 1 million and KShs 25 million
- Remit Branch Profit Repatriation Tax at 15% (effective 1st January 2024)
- File and pay Residential Rental Income Tax at 7.5% by 20th of subsequent month for income between KShs 288,001 and KShs 15 million p.a.
- Comply with eTIMS requirements - all business expenses must be supported by a tax invoice from the electronic tax invoice management system (effective 1st January 2024)
- Pay Minimum Top-up Tax (MTT) if the combined effective tax rate is less than 15% (effective 27th December 2024, due 1st July 2025)
- Carry forward tax losses for a maximum of 5 years (effective 1st July 2025)
- Apply for tax exemption renewal every 5 years for qualifying organizations

Key Considerations

- **Tax Loss Carry Forward:** Limited to five years effective 1st July 2025, unless extended by the Commissioner. Previously, tax losses could be carried forward indefinitely.
- **Tax Exemption:** Granted to organizations relieving poverty, advancing religion/education, renewable every 5 years.
- **eTIMS Requirement:** From 1st January 2024, expenses require eTIMS invoices unless exempted by the Tax Procedures Act, 2015.
- **Minimum Top-up Tax (MTT):** Effective from 27th December 2024, if combined Effective Tax Rate (ETR) is < 15%.
 1. Due date: end of the fourth month following the end of the year of income (effective 1st July 2025).
 2. $MTT = (15\% \text{ of net income / loss}^2 - \text{combined ETR}) \times \text{excess profit}^3$
 3. $\text{Combined ETR} = (\text{Sum of all adjusted covered taxes}^{(4)} \times 100) / \text{Sum of all net income / loss}$

Definitions:

- **A Covered Person:** A resident person or a person with a permanent establishment in Kenya who is a member of an MNE, and the group has a consolidated annual turnover of 750 million Euros or more in at least 2 of the 4 years of income preceding the tested year of income
- **Net Income or Loss:** The sum of net income or loss for the year of income after deducting the sum of losses of a covered person as determined under a recognised accounting standard in Kenya
- **Excess Profit:** The net income/ loss of a covered person for the year of income less (10% of employee cost + 8% of net book value of tangible assets)
- **Adjusted Covered Taxed:** Taxes recorded in the financial statement of a constituent entity for the income, profits share of the income or profits of a constituent entity where the constituent entity own an interest, and includes taxes on distributed profits, deemed profit distribution under Income Tax Act subject to such adjustments as may be prescribed



Standard Tax Rates

Tax Type	Rate	Details	Effective Date
Resident Company	30%	Standard rate	1/1/2021
Dividends (untaxed)	30%	From untaxed gains/profits	Ongoing
SEZ Dividends	Exempt	To non-residents	Ongoing
Non-resident Gains	15%	Financial derivatives	Ongoing
Turnover Tax	1.5%	KShs 1M-25M gross receipts (excludes management, professional, training income & final withholding)	Ongoing
Permanent Establishment	30%	Non-resident company	1/1/2024
Branch Repatriation	15%	On repatriated profits	1/1/2024
Residential Rental	7.5%	KShs 288,001-15M p.a. (monthly filing, due 20th)	1/1/2024
Bearer Bonds	7.5%	Gross sum (2+ years, non-resident)	Ongoing
Digital Services	30% of 10%	Non-resident, gross turnover	Ongoing



Special Incentive Rates

Sector/Entity	First Period	Rate	Second Period	Rate	Conditions
Export Processing Zone	10 years	Nil	Next 10 years	25%	
Motor Vehicle Assembly	5 years	15%	Next 5 years	15%	50% local content of ex-factory value
Special Economic Zone	10 years	10%	Next 10 years	15%	Enterprise/developer/operator
Carbon Market Exchange	10 years	15%			NIFC certified
Shipping Business	10 years	15%			From commencement
Residential Developers	Annual	15%			Min 100 units annually
Human Vaccine Manufacturers	Ongoing	10%			Effective 1/1/2024
NIFC Entities	10 years	15%	Next 10 years	20%	KShs 3B investment, 70% Kenyan senior mgmt (holding) or 60% (regional HQ)
NIFC Start-ups	3 years	15%	Next 4 years	20%	NIFC certified

4. Capital Allowances

Investment Type	Rate & Method	Notes
Machinery used for manufacture	50% first year, then 25% straight line	
Hospital Equipment	50% first year, then 25% straight line	
Ships or aircrafts	50% first year, then 25% straight line	
Motor vehicles and heavy earth moving equipment	25% straight line	
Computer and peripheral hardware/software, calculators, copiers, duplicating machines	25% straight line	
Furniture and fittings	10% straight line	
Telecommunications equipment	10% straight line	
Filming equipment by local film producer	25% straight line	Licensed by Cabinet Secretary
Machinery for prospecting operations	50% first year, then 25% straight line	Under prospecting right
Machinery for exploration operations	50% first year, then 25% straight line	Under mining right
Other machinery	10% straight line	
Fibre optic cable purchase/acquisition	10% straight line	By telecommunication operator



Capital Allowances

Investment Type	Rate & Method	Notes
Hotel (licensed by competent authority)	50% first year, then 25% straight line	
Building used for manufacture	50% first year, then 25% straight line	
Hospital (licensed by competent authority)	50% first year, then 25% straight line	
Petroleum or gas storage facilities	50% first year, then 25% straight line	
Educational buildings including student hostels	10% straight line	Licensed by competent authority
Commercial building	10% straight line	
Industrial building	10% straight line	
Dock	10% per year straight-line basis	
Farm works	50% first year, then 25% straight line	
Investment outside Nairobi/Mombasa (3 years)	100%	At least KShs 1 billion
Investment outside Nairobi/Mombasa (hotel/building/machinery)	100%	At least KShs 250 million
Investment in Nairobi/Mombasa (4 years from effective date)	150%	At least KShs 1 billion
Investment in special economic zone	100%	



5. Capital Gains Tax

Capital Gains Tax (CGT) is applicable to individuals (including unincorporated institutions) on the transfer of land and shares.

It's important to note that shares listed on the Nairobi Securities Exchange are excluded from this tax. For companies, effective April 2020, the transfer of assets excluding NSE-listed shares that are not subject to corporation tax became subject to corporation tax instead of CGT. This includes the sale of buildings on which investment deduction has been claimed.

As of January 1st, 2023, the standard CGT rate is 15% of the gain. This tax is payable at the earlier of receipt of the full purchase price by the vendor or registration of the transfer. Exempt.

Exempt Transfers

Certain transfers are exempt from CGT, including:

- Transfer of property between spouses, or to a company wholly owned by either or both spouses and their immediate family.
- Transfer of property within a group as part of a reorganization. However, from July 1st, 2023, the group must have existed for at least 24 months to qualify for this exemption.
- Transfer of property, including investment shares, where the title or proceeds are transferred or sold for transfer into a registered family trust.
- Transfer of title of immovable property to a family trust.

Other exemptions may apply under the law.

In cases of subsequent transfers within five years of a CGT-exempt acquisition, the adjusted cost will be the original adjusted cost from the initial transfer.

A reduced CGT rate of 5% applies to firms certified by the International Financial Centre Authority (IFCA) that have invested at least KShs 3 billion in a Kenyan entity for at least five years.

As of July 1st, 2025, capital losses cannot be used to offset capital gains in subsequent disposals.



6. Motor Vehicle Advance Tax

Motor Vehicle Advance Tax applies to all commercial vehicles and Public Service Vehicles (PSVs). For commercial vehicles (vans, pickups, trucks, prime movers, trailers, and lorries, excluding agricultural tractors and trailers), the tax rates are:

- **Before January 1st, 2024:** The higher of KShs 1,500 per tonne of load capacity per annum or KShs 2,400 per annum.
- **Effective January 1st, 2024:** The higher of KShs 2,500 per tonne of load capacity per year or KShs 5,000 per year.

For passenger vehicles (saloons, station wagons, mini-buses, buses, and coaches), the tax rates are:

- **Before January 1st, 2024:** The higher of KShs 60 per passenger capacity per month or KShs 2,400 per annum.
- **Effective January 1st, 2024:** The higher of KShs 100 per passenger capacity per month or KShs 5,000 per year.

Motor Vehicle Advance Tax is due on or before the 20th day of the first month of the year of income, or before registration of the vehicle.

Key Compliance Considerations

- CGT is triggered upon payment receipt or transfer registration, requiring careful timing.
- Group reorganizations must meet the 24-month existence requirement for CGT exemption from July 1st, 2023.
- IFCA-certified investments of at least KShs 3 billion qualify for a 5% CGT rate if the transfer occurs after five years from the investment date.
- Capital losses cannot offset capital gains from July 1st, 2025.
- Motor vehicle advance tax rates increased from January 1st, 2024, with the minimum annual rate rising from KShs 2,400 to KShs 5,000.
- Agricultural tractors and trailers are excluded from motor vehicle advance tax.



7. Payment of Taxes

Installment Tax

Instalment tax is payable on or before the 20th day of the respective month

Taxpayer Category	Fourth Month	Sixth Month	Ninth Month	Twelfth Month
All other taxpayers	25%	25%	25%	25%
Agricultural enterprises	25%	75%		25%

Agricultural Enterprises

Payment	Applicable Turnover	Date Payable
1st Payment	1st to 8th months	By 20th of the 9th month
2nd Payment	9th, 10th & 11th months	By 20th of the 12th month
Balance of Tax	12th month	By last day of the 4th month after the accounting period

Final Tax is due on or before the end of the fourth month after the year-end.

Self Assessment Return (SAR)

- **Corporations:** Within six months after accounting year-end.
- **Individuals/Partnerships:** By 30th June of following year.

Married women can now file separately for income from employment, professional services, rent, dividends, and interest.



8. Standards Levy, Customs & Excise

Standards Levy

Payable monthly by manufacturers at 0.2% of ex-factory price subject to a maximum of KShs. 4,000,000 per annum for a period of five years effective 16th May 2025 and thereafter KShs. 6,000,000. Prior to 16th May 2025 the maximum amount payable was KShs. 400,000 with a minimum of KShs. 1,000.

Customs Duty

Customs duties are chargeable under the East African Community Customs Management Act for imports outside the EAC region. Member countries have powers to levy additional anti-dumping or countervailing duty rates in addition to the normal duty rates. Certain capital goods, subject to Treasury approval, are eligible for duty remission. Goods imported from COMESA have preferential rates.

Import Category	Duty Rate
Raw materials and certain machinery	0%
Semi-finished goods	10%
Finished goods	
Finished goods readily available within the customs territory	35%

- IDF is at 2.5% of customs value.
- Effective 27th December 2024, RDL fees rate is at 2% for all imports.
- Effective 1st July 2021, any goods which the Cabinet Secretary may determine is in the public interest, or to promote investment and the value of which shall not be less than KShs. 5 billion will be exempt from IDF and Railway Development Levy.
- Additional duty of 2.5% applicable to goods entered for home use from export processing zones enterprises.
- Processing fees of KShs. 10,000 applicable to all motor vehicles excluding motorcycles imported or purchased duty free.
- Effective 1st July 2025 it is mandatory for every import to be supported by a Certificate of Origin issued by a competent authority of the export country's government failure to which the import would not be processed.



Exemptions from IDF (Effective 1st July 2025)



Inputs, raw materials and machinery used in the manufacture of mosquito repellents upon recommendation by the Cabinet Secretary responsible for matters relating to health.

Exemptions from RDL (Effective 1st July 2025)

Inputs, raw materials and machinery used in the manufacture of mosquito repellents upon recommendation by the Cabinet Secretary responsible for matters relating to health.

Export and Investments Promotion Levy

Export and Investments Promotion Levy was introduced with effect from 1st July 2023. The levy is aimed at providing funds to boost manufacturing, increase exports, create jobs, save on foreign exchange and promote investments and it is levied on specific imported goods. The Levy is not chargeable on goods originating from within East Africa Community Partner States that meet the EAC rules of origin.

Excise Duty

Item	Duty Rate (FY 2025/2026)
Fruit and vegetable juices	KShs. 14.14 per litre
Water (bottled and similarly packaged waters) and other non-alcoholic beverages KShs. 6.41 per litre	Water (bottled and similarly packaged waters) and other non-alcoholic beverages KShs. 6.41 per litre
Food supplements	10%
Beer, Cider, Perry, Mead, Opaque beer and mixtures of fermented beverages with non-alcoholic beverages and spirituous beverages and alcoholic beverages of alcoholic strength not exceeding 6%	KShs. 22.50 per centilitre of pure alcohol
Provided that Beer, cider, perry, mead, opaque beer and mixtures of fermented beverages with non-alcoholic beverages and spirituous beverages manufactured by licenced small independent brewers shall be subject to the rate of KShs. 10 per centilitre of pure alcohol	KShs. 10 per centilitre of pure alcohol



Excise Duty

Item	Duty Rate (FY 2025/2026)
Powdered beer	KShs. 129.53 per kg
Wines including fortified wines, and other alcoholic beverages obtained by fermentation of fruits	KShs. 22.50 per centilitre of pure alcohol
Spirits of undenatured ethyl alcohols of alcoholic strength exceeding 6%	KShs. 10 per centilitre of pure alcohol
Cigars, cheroots, cigarillos containing tobacco or tobacco substitutes	KShs. 16,260.29 per kg
Cigarettes with filters (hinge lid and soft cap)	KShs. 4,100 per mille
Cigarettes without filters (plain cigarettes)	KShs. 4,100 per mille
Other manufactured tobacco and tobacco substitutes	KShs. 11,382.48 per kg
Cosmetics and beauty products of tariff heading No. 3303, 3304, 3305 and 3307	N/A
Motor vehicle (excluding locally assembled motor vehicles, locally manufactured passenger motor vehicles, locally assembled electric vehicles, school buses for use by public schools, motor vehicles under tariff no. 8703.24.90 and 8703.33.90 and imported motor vehicles exceeding 1500cc) of tariff heading 8702, 87.02, 87.03 and 87.04	20%
Imported motor vehicles of cylinder capacity exceeding 1500cc to 2500cc	25%



Excise Duty

Item	Duty Rate (FY 2025/2026)
Motor vehicles of tariff no. 8703.24.90 and 8703.33.90 exceeding 2500cc	35%
Motorcycles of tariff no. 87.11 other than motorcycle ambulances, locally assembled motorcycles and electric motorcycles	KShs. 12,952.83
Illuminating Kerosene	KShs. 11,370.99 per 1,000 litres
100% electric powered motor vehicles (tariff nos. 8702.40.11, 8702.40.19, 8702.40.21, 8702.40.22, 8702.40.29, 8702.40.91, 8702.40.99, 8703.80.00)	10%
Imported sugar confectionery of tariff heading 17.04	KShs. 85.82 per kg
Imported white chocolate of heading 1704; imported chocolate and other food preparations containing cocoa of tariff nos. 1806.31.00, 1806.32.00 and 1806.90.00	KShs. 257.55 per kg
Imported gas cylinders	35%
Imported glass bottles (excluding glass bottles for packaging of pharmaceutical products). Provided that it shall not apply to glass bottles imported from any of the countries within EAC	35% or KShs. 40 per kg whichever is higher
Jewellery of tariff heading 7113 and imported jewellery of tariff heading 7117	Jewellery of tariff heading 7113 and imported jewellery of tariff heading 7117
15%	15%



Excise Duty

Item	Duty Rate (FY 2025/2026)
Products containing nicotine or nicotine substitutes intended for inhalation without combustion or oral application (excluding medicinal products approved by Cabinet Secretary)	KShs. 2,000 per kg
Liquid nicotine for electronic cigarettes	KShs. 100 per millilitre
Imported articles of plastic of tariff heading 3923.30.00	10%
3907.91.00 Unsaturated polyester (imported)	10%
Imported Fully Assembled Electric transformers and parts (tariff codes listed)	25%
Imported printing ink of tariff 3215.11.00 and 3215.19.00 (excluding EAC compliant)	15%
Imported Ceramic sinks, wash basins, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures	5% of customs value or KShs. 50 per kg
Imported Float glass and surface ground or polished glass	30% of excisable value or KShs. 200 per square meter whichever is higher
Imported ceramic flags and paving, hearth or wall tiles	5% of custom value or KShs. 300 per square meter
Coal	N/A
Imported fish	10%



Excise Duty

Item	Duty Rate (FY 2025/2026)
Powdered juice	KShs. 25 per kg
Imported sugar (excluding specific exemptions)	KShs. 7.5 per kg
Imported cement	10% of value or KShs. 1.50 per kg whichever is higher
Imported furniture (excluding EAC compliant)	30%
Imported cellular phones	10%
Imported paints, varnishes and lacquers of heading 3208, 3209 and 3210	15%
Imported non-virgin Test liner of heading 4805.24.00	25%
Imported non-virgin fluting medium of heading 4805.19.00	25%
Condensates per 1000l @20degC	N/A
Imported Alkyd	20%
Imported Unsaturated polyester	20%
Imported saturated polyester of heading 3907.99.00	20%
Imported vinyl acetate/vinyl esters of heading 3905.21.00	20%



Excise Duty

Item	Duty Rate (FY 2025/2026)
Imported emulsion–styrene acrylic of heading 3903.90.00	20%
Imported Emulsion VAM	20%
Imported Emulsion – styrene Acrylic	20%
Imported Homopolymers	20%
Imported Emulsion B.A.M	20%
Imported cartons, boxes and cases of corrugated paper or paper board and imported folding cartons, boxes and case of non-corrugated paper or paper board and imported skillets, free-hinge lid packets of tariff heading 4819.10.00, 4819.20.10 and 4819.20.90	25% or KShs. 200 per kg whichever is higher
Imported printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00 but excluding those originating from EAC Partner States that meet the EAC Rules of Origin	25% or KShs. 150 per kg whichever is higher
Imported plates of plastic of tariff heading 3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90 but excluding those originating from EAC Partner States that meet the EAC Rules of Origin	25% or KShs. 200 per kg whichever is higher



Excise Duty

Item	Duty Rate (FY 2025/2026)
<p>Imported paper or paper board, labels of all kinds whether or not printed of tariff heading 4821.10.00 and 4821.90.00 but excluding those originating from EAC Partner States that meet the EAC Rules of Origin</p>	<p>25% or KShs. 200 per kg whichever is higher</p>
<p>Imported other self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls of tariff number 3919.90.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>25% of excisable value or KShs. 200 per kg, whichever is higher</p>
<p>Imported printed polymers of ethylene of other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.10.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>25% of excisable value or KShs. 200 per kg whichever is higher</p>
<p>Imported printed polymers of vinyl chloride containing by weight not less than 6% of other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.43.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>25% of excisable value or KShs. 200 per kg whichever is higher</p>



Excise Duty

Item	Duty Rate (FY 2025/2026)
<p>Imported printed poly (ethylene terephthalate) of polycarbonates, alkyd resins, poly allyl esters or other polyesters of other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.62.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>25% of excisable value or KShs. 200 per kg whichever is higher</p>
<p>Imported printed cellular of other plastics of other plates, sheets, film, foil and strip of tariff number 3921.19.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>25% of excisable value or KShs. 200 per kg whichever is higher</p>
<p>Printed self-adhesive paper of tariff number 4811.41.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>25% of excisable value or KShs. 200 per kg whichever is higher</p>
<p>Gummed paper and paperboard of tariff number 4811.49.00, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>25% of excisable value or KShs. 200 per kg whichever is higher</p>



Excise Duty

Item	Duty Rate (FY 2025/2026)
Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages	KShs. 500 per litre
Imported tea — whether or not flavoured	25% of excisable value
Imported uncoated kraft paper and paperboard, in rolls or sheets; kraftliner; unbleached of tariff number 4804.11.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	25% of excisable value or KShs. 50 per kg whichever is higher
Imported other kraft paper or paperboard weighing 150g/m ² or less, in rolls or sheets; unbleached of tariff number 4804.31.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	25% of excisable value or KShs. 50 per kg whichever is higher
Imported other kraft paper or paperboard weighing more than 150g/m ² but less than 225g/m ² , in rolls or sheets; unbleached of tariff number 4804.41.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	25% of excisable value or KShs. 50 per kg whichever is higher



Excise Duty

Item	Duty Rate (FY 2025/2026)
<p>Imported other kraft paper or paperboard weighing 225 g/m² or more others in rolls or sheets; unbleached of tariff number 4804.51.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>25% of excisable value or KShs. 50 per kg whichever is higher</p>
<p>Imported Glass of heading 70.03, 70.04 or 70.05, bent, edge-worked, engraved, drilled, enamelled or otherwise worked, but not framed or fitted with other materials of Tariff Heading 70.06, but excluding those from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>35% of excisable value or KShs. 500 per square metre, whichever is higher</p>
<p>Imported safety glass of tariff numbers 7007.19.00 and 7007.29.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>35% of excisable value or KShs. 500 per square metre, whichever is higher</p>
<p>Imported Multiple-walled insulating units of glass of Tariff Heading 70.08, but excluding those from East African Community Partner States that meet the East African Community Rules of Origin</p>	<p>35% of excisable value or KShs. 500 per square metre, whichever is higher</p>
<p>Imported fully built and semi-built direct air capture machines</p>	<p>25% of excisable value</p>
<p>Imported aluminium profiles, fabricated doors and fabricated windows of tariff numbers 76.04, 7608.20 and 7610.10 25% of excisable value or KShs. 400 per kg whichever is higher</p>	<p>25% of excisable value or KShs. 400 per kg whichever is higher</p>



Excise Duty

Item	Duty Rate (FY 2025/2026)
Non-refillable lighters of tariff number 9613.10.00	25% of excisable value or KShs. 500 per kg
Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages	KShs. 500 per litre
Telephone and internet data services	15%
Fees charged for money transfer services by banks, money transfer agencies and other financial service providers	15%
Excise duty on fees charged for money transfer services by cellular phone service providers or payment service providers licensed under the National Payment System Act, 2011	15%
Fees charged by payment service providers under the NPS Act (other than cellular phone service providers) are currently not subject to excise duty	
Fees charged by payment service providers licensed under the National Payment Systems Act, 2011 (other than cellular phone service providers)	15%
Excise duty on betting (Provided that this shall not apply horse racing) 5% on the amount deposited into customer's gaming wallet	5% on the amount deposited into customer's gaming wallet



Excise Duty

Item	Duty Rate (FY 2025/2026)
Excise duty on gaming (on the amount wagered or staked)	5% on the amount deposited into a customer's gaming wallet
Excise duty on the amount paid/charged to participate in a prize competition	5% of amount paid or charged to participate in a prize competition
Excise duty on the amount paid/charged to buy the lottery ticket (excluding charitable lotteries)	5% of the amount paid or charged to buy the lottery ticket
Fees charged on advertisement on the internet, social media, television, print media, billboards and radio stations on alcoholic beverages, betting, gaming, lotteries and prize competitions	15%
Fees charged on virtual assets transactions by virtual asset providers	10%

Notes

- Excise Stamps now required on bottled water, juices, soda, other non-alcoholic beverages and cosmetics.
- Penalties and interest applicable on late payment of excise duty on imports are charged in line with the rates provided for by the Tax Procedures Act i.e. 5% penalty and 1% interest per month.
- Effective 27th December 2024, manufacturers of alcoholic beverages to remit excise duty by the fifth day of the following month upon removal of the goods from the stockroom. Similarly, betting and gaming service providers to remit excise duty before the end of the following day.
- Effective 1st July 2023, the Commissioner has the power to induct other industries into the 24-hour excise duty payment regime.
 - Distillers are required to maintain mass flow meters, continuous piping and automation processes that enable the Commissioner to measure the excisable goods in the factory. However, the Act now exempts licenced micro distillers from these requirements and provides the Commissioner use other mechanisms such as excise stamps to measure the quantities of excisable goods produced.
 - The term "micro distiller" means a manufacturer of a spirituous beverage through two fundamental processes of fermentation and distillation using a still (boiler) not exceeding 1,800 litres and whose annual production volume does not exceed 100,000 litres per year



9. Withholding Tax Rates

Income Type/ Transaction	Resident Rate	Non-Resident Rate
Telecommunication services	–	5%*
Artists and entertainers (excluding approved foreign actors and crew)	–	20%*
Royalties	5%	20%*
Dividends	5%*	15%*
Dividends paid to companies with $\geq 12.5\%$ voting power	Exempt	15%*
Rental income (excluding immovable property)	–	15%*
Rent – land and buildings	7.5% (10% prior to 1 Jan 2024)	30%
Interest (including 2-year Government bearer bonds)	15%	15%*
Interest from other bearer bonds	25%	25%
Interest on bearer bonds ≥ 10 years maturity	10%	15%*
Housing bond interest	10%	15%*
Deemed interest on interest-free loans (thin capitalization)	–	15%*



Withholding Tax Rates

Income Type/ Transaction	Resident Rate	Non-Resident Rate
Pension and taxable withdrawals from pension/provident funds	10–25%*	5%*
Insurance commissions	10%	Not specified
Contractual fees	3%	20%*
Management, professional or training fees	5%	20%*
Surplus pension fund withdrawals	25%	25%*
Shipping business / aircraft operations	–	2.5%*
Interest income from listed infrastructure bonds	–	–
Insurance and reinsurance premiums (excluding aircraft insurance)	–	5%*
Gross winnings from betting, lotteries and gaming	20%	20%
Sales promotion, marketing, advertising services and transportation of goods (excluding air and shipping transport services)	5% (effective 1 July 2023)	20%*
Disbursement of deemed income to beneficiaries 25% –	Disbursement of deemed income to beneficiaries 25% –	Disbursement of deemed income to beneficiaries 25% –



Withholding Tax Rates

Income Type/ Transaction	Resident Rate	Non-Resident Rate
Gains accruing to non-residents from financial derivative arrangements	–	15%
Digital content monetisation	5%	20%
Payments by public entities for supply of goods to public entities	0.5%	5%
Digital marketplace transactions (facilitation/payments)	5%	20%

Key Notes & Clarifications

- Rates marked with an asterisk (*) represent final tax unless stated otherwise.*
- East African Community (EAC) partner state citizens may be subject to resident dividend rate of 5%.
- Dividends received by specified financial institutions in Kenya are subject to corporation tax, not withholding tax.
- Rental income from aircraft, engines, locomotives and rolling stock is exempt.
- Individual interest income (\leq KShs. 300,000 p.a.) is subject to final tax.

Pensions & Withdrawals

- Graduated PAYE rates apply with a tax-free threshold of KShs. 400,000 after 15 years or upon reaching age 50.
- Early withdrawals attract higher rates and withholding tax is not final.

Specific Provisions

- Insurance commissions: 5% if paid to a resident broker.
- Contractual fees: applies where payments exceed KShs. 24,000 per month.
- Certain agricultural export agency fees and audit-related services to non-residents are exempt.
- Extractive industry subcontractors: 10% rate applies.
- Mining and petroleum farm-out arrangements taxed based on percentage interest transferred.

SEZ (Special Economic Zone) Incentives

- Management, professional and training fees paid to non-residents: exempt for first 10 years.
- Royalties and interest paid to non-residents: exempt for first 10 years.



Additional Administrative Notes

- Payments from a Kenyan branch to its Head Office may be subject to withholding tax where applicable treaties exist.
- Updated resident withholding tax rate of 5% for marketing/advertising services effective 1 July 2023.

Payment deadline:

- Previously: 20th of the following month (up to 30 June 2023)
- Currently: within 5 working days after payment

Double Tax Agreements (DTAs)

- Lower rates may apply where treaties exist (e.g., Canada, Denmark, France, Germany, India, Iran, Norway, South Korea, South Africa, Sweden, Qatar, UAE, UK, Zambia).
- To qualify, at least 50% beneficial ownership must be held by residents of the treaty country.
- India DTA amendment effective 1 January 2018.

The withholding tax rates for countries with which Kenya has Double Tax Agreements (DTAs) are presented below. These rates are the maximum rates applicable if the income is derived from Kenya by a non-resident.



Kenya Double Tax Agreements (DTAs)

Payment Category	Canada	Denmark	France	Germany	India (re-negotiated)	Norway
Management or professional fees	15%	20%	**	15%	10%	20%
Royalties	15%	20%	10%	15%	10%	20%
Rent from immovable property	30%	30%	30%	30%	30%	30%
Rent from movable property	15%	15%	15%	15%	15%	15%
Dividends	15% / 25% ^b	20%/30% ^a	10%	15%	10%	15%/25% ^a
Interest (including from Government bonds)	15%	20%	12%	15%	10%	20%
Pension and annuities	15%	5%*	5%*	5%*	5%*	5%*
Entertainment and sporting events	20%***	20%***	20%***	20%***	20%***	20%***



Kenya Double Tax Agreements (DTAs)

Payment Category	South Africa	South Korea	Sweden	Qatar	UAE and Iran	UK
Management or professional fees	**	**	20%	**	**	12.5%
Royalties	10%	10%	20%	10%	10%	15%
Rent from immovable property	30%	30%	30%	30%	30%	30%
Rent from movable property	15%	15%	15%	15%	15%	15%
Dividends	10%	8%/10% ^a	15%/25% ^a	5%/10% ^b	5%	15%
Interest (including from Government bonds)	10%	12%	15%	10%	10%	15%
Pension and annuities	5%*	5%*	5%*	5%*	5%*	5%
Entertainment and sporting events	20%***	20%***	20%***	20%***	20%***	20%***



Notes:

- Withholding tax applicable on pension and annuities paid to non-residents.
- ** Professional fees are exempt from taxation in Kenya unless the non-resident has a fixed base regularly available in Kenya or the stay in Kenya exceeds 183 days in any year.
- *** Where activities are exercised in Kenya, provided that their visit to Kenya is not wholly or substantially supported from public funds of their State or local authority, withholding tax rate is applicable on such activities paid to non-residents.
- **** Exempt from taxation in Kenya provided the income is subject to tax in the non-resident's State.
- Where company owns 25% or more voting rights/in any other case.
 - Where company owns 10% or more voting rights/in any other case.

Exemptions and Limitations

- Any exemption from tax or a reduced tax rate in Kenya as a result of the application of the arrangement in a DTA shall not be applicable to a person who, for the purposes of the arrangement, is a resident of the other contracting state if 50% or more of the underlying ownership of that person is held by a person or persons who are not residents of that other contracting state for the purposes of the agreement.

Thin Capitalisation/Interest Restriction

- Thin capitalisation arises where a person's gross interest payable to non-resident related persons and third parties exceeds thirty percent of their earnings before interest, taxes, depreciation and amortization in any financial year.
- Where a person is thinly capitalised, the Income Tax Act provides for the disallowance, for tax purposes, of part of the interest that exceeds the thirty percent of EBITDA. In addition, any foreign exchange loss on such loans is also deferred for tax purposes.
- Effective 1st January 2022, the thin capitalisation provisions were amended to restrict the total interest claimable in a year of income to 30% of earnings before interest, taxes, depreciation and amortization ("EBITDA"); provided in the calculation of EBITDA, any income that is exempt from tax is to be excluded. This is applicable both to locally and foreign controlled companies.
- The interest restriction will apply to:
 1. Interest on all loans;
 2. Payments that are economically equivalent to interest; and
 3. Expenses incurred in connection with raising of finance.



Thin Capitalisation/Interest Restriction

- With effect from 1st January 2024, the restriction based on 30% of the EBITDA will only apply to foreign loans. This means that interest expense with respect to local loans will not be subjected to the restriction. The interest expenses on foreign loans in excess of 30% of the EBITDA shall be an allowable deduction in the subsequent three years of income provided that the interest expense claimed in each year shall not exceed 30% of the EBITDA.
- The restriction of the payment of deemed interest on interest free loans by entities controlled by a non-resident alone or together with not more than four other persons (excluding licensed bank or a financial institution) still applies.

Exemptions from Interest Restriction

- The above interest restriction provisions will not apply to banks or financial institutions and micro, small enterprises registered under the Micro and Small Enterprises Act, 2012. Microfinance institutions licensed and non-deposit taking microfinance businesses under the Microfinance Act, 2006, entities licensed under the Hire Purchase Act, non-deposit taking institutions involved in lending and leasing business, Companies undertaking the manufacture of human vaccines, and Holding companies that are regulated under the Capital Markets Act.
- Companies engaged in manufacturing whose cumulative investment in the preceding five years from the commencement of this provision is at least five billion shillings; companies engaged in manufacturing whose cumulative investment is at least five billion shillings, provided that the investment shall have been made outside Nairobi City County and Mombasa County were not subject to this restriction up to 1st July 2023 after which they are no longer exempt. Further, the interest restriction shall however not apply where the interest is exempt from tax under the Income Tax Act.



Deferral of Foreign Exchange Losses

- Effective from July 1st, 2023, forex losses for persons whose gross interest paid or payable to non-residents exceeds 30% of their EBITDA will be deferred. These deferred losses will be claimed over a period of five years from the date the losses were realized and will not be taken into account until then.
- Prior to this change, the Income Tax Act did not specify the duration for which a taxpayer would defer realized forex losses.

Application for Thinly Capitalized Persons

As of **July 1st, 2023**, thinly capitalized persons are required to defer their forex losses for tax purposes. These losses can be claimed for a period not exceeding **5 years** from the date the loss was realized. Note that the determination of thin capitalization for forex restriction purposes *includes local loans*.

Definition of Control

Control in relation to a person shall now include:

- A person holding at least 20% voting rights in a company, directly or indirectly.
- A loan advanced by one person to another, constituting at least 70% of the book value of the total assets of the entity, excluding a loan from a financial institution not associated with the person advancing the loan.
- A guarantee by a person for any form of indebtedness constituting at least 70% of the total indebtedness of the entity, excluding a guarantee from a financial institution not associated with that guarantor.
- The power to appoint more than half of the board of directors of the entity, or at least one director or executive member of the governing board of that entity.
- A person who has exclusive rights over the know-how (includes patent, copyright, trademark, license, franchise, and any other business or commercial right) on which the entity is wholly dependent for the manufacture or processing of goods or articles, or business carried on by the other person.
- The person or another person designated by him supplies at least 90% of the purchases of the entity; or in the opinion of the Commissioner, influences the price or other conditions relating to the supply of the purchases of the entity.
- The person or another person designated by him purchases 90% of the sales of the entity; or in the opinion of the Commissioner, influences the price or any other conditions of sales of the entity.
- Any other relationship, dealing, or practice that the Commissioner may deem to constitute control

The definition of control, effective July 1st, 2021, will be a consideration in determining the residency status of a corporate body and evaluating whether a Kenyan entity is an ultimate parent company. It will also be a consideration for compliance with transfer pricing provisions.

Withholding tax is payable on the deemed interest, and neither the deemed interest nor the withholding tax paid thereon are deductible for tax purposes. A bank or a financial institution licensed under the Banking Act is exempt from this provision.



10. Stamp Duty

Transaction	Rate
Creation or increase of share capital	1%
Transfer of stock or marketable security (except quoted securities, which are exempt)	1%
Registration of debentures, mortgages and charges	0.1%
Transfer of immovable property within a municipality	4%
Transfer of immovable property outside a municipality	2%
Leases between 1 and 3 years	1% of annual rent
Leases over 3 years	2% of annual rent

Stamp Duty Exemptions

The following transactions are exempt from stamp duty:

- New or expanded listing on the stock exchange.
- Transfer of immovable property between husband and wife or transfer of a family property to a limited liability company wholly owned by the family.
- Land acquired for construction or expansion of educational institutions.
- Purchase of a house by a first-time house owner under an affordable housing scheme.
- Instruments creating asset-backed securities through a scheme approved by the Capital Markets Authority.
- Transfers between holding and subsidiary companies with shareholding exceeding 90%.
- Sukuk arrangement – transfers of title from the original owner to the entity representing the interest of sukuk holders then back to the original owner as a requirement of the agreement.
- Instruments executed for purposes of collection and recovery of tax.
- An instrument relating to the business activities of special economic zone enterprises, developers, and operators licensed under the Special Economic Zones Act 2015.
- Instruments executed in favor of a mortgage refinance company effective 1st July 2022.
- Transfer of property by a company to its shareholders as part of an internal reorganization where the property is transferred to shareholders in proportion to their shareholding in the company prior to the transfer and where the property being transferred comprises of shares, such shares must be in a subsidiary of the company undertaking the transfer. This is effective 1st July 2025.



11. Value Added Tax

Item	Rate
Standard rate (including on sale and rental of non-residential premises) - Tax year 2019 up to 31st March 2020	16%
Standard rate (including on sale and rental of non-residential premises) - 1st April 2020 to 31st December 2020	14%
Standard rate (including on sale and rental of non-residential premises) - 1st January 2021 and subsequently onwards	16%
Supply of specified taxable goods and services; export of goods and taxable services including provision of transit services; supply of goods and taxable services to EPZ enterprises, and ship stores and taxable services to international sea and air carriers	0%
Catering levy for hotels and restaurants	2%
VAT as a fraction of inclusive price (standard rate) -16%	4/29
Fuel (petrol, kerosene and spirits)	16%
Liquefied petroleum gas including propane (taxable value now includes excise duty, fees and other charges)	0%

VAT Registration & Compliance

- Registration threshold: KShs. 5 million turnover p.a. excluding taxable supply of capital assets and taxable supply resulting from sale of whole or part of the business.
- Non-resident persons supplying imported digital services over the internet or an electronic network or through a digital marketplace are required to register for VAT regardless of their turnover.
- A person who is required to register in Kenya but does not have a fixed place of business in Kenya shall appoint a tax representative in Kenya.
- Disposal of items of property, plant and equipment by an exempt person is not subject to VAT.



VAT Payment and Compliance

- **Due date:** 20th of the following month.
- **VAT on imported services:** Payable, at the standard rate on taxable services, by the importer where the supply is made by a non-registered person to any person, the supply would have been taxable if it had been made in Kenya and the tax paid on such service would not be available for claim as input VAT credit.
- Taxable supplies made over the internet or an electronic network or through a digital marketplace are however not subject to reverse VAT.
- **Time of supply:** The earliest of the date on which the goods are delivered or services performed; the issuance of a certificate by an architect; the issuance of an invoice or the receipt of payment. Regarding the national carrier (Kenya Airways), the time of supply shall be the date of delivery of goods or performance of services.
- **Value of supply including supply of imported services:** Shall be a total of the amount in money paid or payable, or open market value of the time of the supply of an amount paid or payable for the supply and any taxes, duties, levies, fees and charges paid or payable on, or by reason of the supply. This now includes mobile cellular services.
- **Withholding VAT:** 2% of the taxable value to be withheld at the time of paying for supplies by Government ministries and departments, County Governments and appointed withholding VAT agents and prior to 1st July 2023 was to be remitted on or before the twentieth day of the following month. With effect from 1st July 2023, withholding VAT should be remitted within five working days after payment.
- **Input VAT:** Recovery of VAT is restricted on the acquisition and repairs of passenger cars or minibuses (unless used in supplying taxable services) and on entertainment, restaurant, and accommodation services (unless provided in the ordinary course of business or while the recipient is away from home for business purposes). Input VAT deduction is disallowed if the relevant documentation is missing, or the registered supplier has not declared the sales invoice in a return.
- **VAT Refunds:** If input VAT exceeds output VAT, the excess is refundable if it arises from making zero-rated supplies or from tax paid in error. The application must be made within 24 months from the date the tax becomes due and payable.
- Effective 1st July 2022, VAT credits arising from input tax incurred by a manufacturer in respect to taxable supplies made to an official aid funded project approved by the Cabinet Secretary in accordance with the First Schedule to the VAT Act, 2013 will now qualify for VAT refunds.
- Effective 27th December 2024, credits arising on account of permanent credit position for a registered person dealing in zero rated or exempt supplies, where the credit is due to difference between the rate applicable on 1st July 2022 and a lower rate of tax and that credit position existed on the date that the taxable supply became zero rated or exempt (application to be made within six months after 27th December 2024).
- **Insurance Compensation:** Compensation for the loss of taxable supplies, for which a person had claimed input VAT, is subject to VAT. If the compensation does not include VAT, it must be declared and subjected to VAT.
- **Bad Debts:** VAT relief on bad debts is available within 2 to 10 years from the date of supply, subject to approval by the Commissioner.
- **VAT on Exported Taxable Services:** Effective 1st July 2023, the exportation of taxable services is zero-rated, prior to which it was subject to VAT at 16%.



12. Tax Penalties & Interests

Offence	Penalty/Fine
Failure to apply for registration or deregistration (excluding VAT)	KShs. 100,000 for each month or part thereof (max. KShs. 1 million)
Failure to retain or maintain documents required	Higher of KShs. 100,000 or 10% of tax payable relating to documents
Failure to submit a tax return by the due date	<ul style="list-style-type: none"> • Employment income - higher of KShs. 10,000 or 25% of the tax due • Individual - higher of 5% of the tax payable or KShs. 2,000 • Company - higher of 5% of the tax payable or KShs. 20,000 • EPZ Company – KShs 2,000 per day • KShs. 1,000 for submission under Turnover Tax
Failure to submit a document other than a tax return	KShs. 1,000 for each day or part thereof (max KShs. 50,000)
Knowingly making a false or misleading statement or omitting from a statement any matter that leads to a tax shortfall	<ul style="list-style-type: none"> • 75% of the tax shortfall when statement or omission made deliberately • Increased by 10% on second application and 25% on third or subsequent applications • Reduced by 10% on voluntary disclosure
Tax avoidance or fraudulent claim for a refund	Double the amount of tax avoided/claimed
Failure to submit a tax return electronically or pay tax due electronically and where the Commissioner is not satisfied with the reasons for non-failure	Two times the tax due
Failure to pay the tax by the due date	5% of the unpaid tax
Failure to issue an Electronic Tax Invoice (ETIMs)	Double the amount of tax due



Specific Income Tax Penalties

Offence	Penalty/Fine
Penalty on unpaid tax	5% of unpaid tax Unpaid PAYE - 25%
Underestimation of instalment tax	5% of unpaid tax

Specific VAT Penalties

Offence	Penalty/Fine
Failure to apply for registration or deregistration	Fine not exceeding KShs. 200,000, or imprisonment not exceeding 2 years, or both
Failure to display the tax registration certificate at all premises	
Failure to notify the Commissioner of any change in name, address, place of business and nature of business	
Issue of a tax invoice for a non-vatable supply or by a non-registered person	KShs. 1 million, or imprisonment not exceeding 3 years, or both
Failure to maintain proper records, using an ETR or provide access to an authorized officer	KShs. 1 million, or imprisonment not exceeding 3 years, or both
Failure to submit a return on time	5% of tax due (min. KShs. 10,000)
Failure to withhold the whole amount of VAT which should be withheld	10% of the tax due
Failure to remit withheld VAT by due date	10% of the tax due
VAT on excise duty	5% of the tax payable or KShs. 10,000



Specific Excise Duties Penalties

Offence	Penalty/Fine
Failure to apply for registration or deregistration	Fine not exceeding KShs. 5,000,000, or imprisonment not exceeding 3 years, or both
Failure to display the tax registration certificate at all premises	
Failure to notify the Commissioner of any change in name, address, place of business and nature of business	

Late payment interest is charged at a simple rate of 1% per month or part thereof, and is capped at the amount of the principal tax due. No provisions exist for the waiver or reduction of this interest.

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