



Finance Bill 2026 Tax Alert & Key Highlights

The Kenya Finance Bill 2026, released on 30 April 2026, introduces a series of proposed amendments to various tax laws. These proposals are not yet law and will only take effect once enacted, expected on or before 30 June 2026.

The Bill reflects a continued shift in Kenya's tax policy toward broader tax coverage, enhanced compliance, and increased use of digital systems in tax administration

Expansion of Digital Economy Taxation

Key Changes

Expansion of withholding tax scope to include fees related to:

- Interchange fees
- Merchant service fees
- Card payment companies

This targets the payment infrastructure ecosystem and expands taxation on digital transaction flows.



Implication

Businesses using card payments or payment processors may experience higher transaction-related tax costs and will need to review pricing and vendor agreements.



Increased Reliance on Indirect Taxes

Key Changes

- Expansion of the definition of **royalties** to include:
 - Software licensing
 - Digital platforms and marketplaces
 - Payment gateways and processing systems
 - Card networks and interchange fees
- Expansion of **management fees** to include merchant and interchange fees

Indirect taxes remain a core revenue tool due to ease of collection. For example, a smartphone imported at KSh 20,000 could see a significant price increase at activation, impacting affordability for everyday users.

Implication:

Higher cost of mobile access may affect:

- SMEs relying on mobile commerce
- Digital lending and mobile banking adoption

Potential slowdown in digital and financial inclusion initiatives



Formalisation of the Informal Sector (Mitumba & Others) Effective 1st July 2026

Key Changes

The taxable profit will be deemed to be 5% of the customs value of the imported used goods . There is an implied treatment that this taxable profit will then be subjected to the standard income tax rate of 30%, resulting in an effective tax rate of 1.5%. This tax is final and will be payable at the point of importation, prior to the release of the goods.

This measure brings the importation of second-hand goods into the formal tax net by applying a simplified income tax mechanism at the point of entry, based on customs value rather than actual profit determination.

Implication:

Importers of mitumba and similar goods will face an additional tax cost at import stage, increasing the overall landed cost of goods and potentially impacting pricing in the second-hand retail market.



Betting & Gambling Sector

Key Changes

- Introduction of **20% withholding tax on winnings**
- Expansion of what constitutes **taxable betting deposits**



The proposals aim to capture the full value chain of gambling activity. For example, a bettor winning KSh 100,000 would receive KSh 80,000 net after tax. Even funds deposited into betting wallets may fall within expanded tax scope.

Implication:

- Increased tax burden on users
- Higher compliance requirements for betting companies
- Possible reduction in betting volumes

The logo for SportPesa, featuring the word "SportPesa" in a white, sans-serif font. The "P" is stylized with a soccer ball graphic. The background is a dark blue gradient with a soccer ball and net visible.

Virtual Assets & Crypto Reporting

Key Changes

- Mandatory reporting by **Virtual Asset Service Providers (VASPs)**
- Introduction of **automatic exchange of crypto-related tax information**

Crypto transactions are no longer outside regulatory oversight.

For example, a Kenyan trading crypto through an exchange may have **transaction data shared with tax authorities**, locally and internationally.

Implication:

Investors and platforms must maintain accurate transaction records and prepare for increased regulatory disclosure requirements.

Strengthening Tax Administration & Compliance

Key Changes

KRA is empowered to enhance digital tax administration through:

- Electronic tax systems (eTIMS)
- Pre-populated tax returns
- Automated compliance checks

This reflects increased digitisation and integration of taxpayer data to improve compliance efficiency.

Implication:

Businesses must maintain accurate and timely records, as discrepancies will be more easily detected through system integration.

Tax Filing & Compliance Deadlines

Key Changes

- Filing deadline reduced from **6 months to 4 months**
- New deadline: **30 April** (for calendar-year taxpayers)
- Nil returns due by 31 January

This significantly shortens the compliance timeline. A company with a December year-end must now finalize accounts and file taxes by April, instead of June.

Implication:

- Increased pressure on finance and audit teams
- Need for earlier financial close processes
- Stronger coordination between tax advisors and auditors



Income Tax & Other Adjustments

Key Changes

- 1.5% withholding tax on scrap metal sales
- Cap on mortgage interest relief at KSh 360,000
- Changes to gratuity deductibility rules
- CGT expanded to indirect transfers of Kenyan assets

Implication:

- Increased tax obligations for:
 - Cross-border investors
 - Informal and semi-formal sectors
- Greater scrutiny of ownership structures and offshore arrangements

VAT Adjustments

Key Changes

VAT introduced or adjusted on:

- Digital and platform-based financial services
- Recovery of input VAT on unsold supplies upon change of VAT rate
- Increased VAT-free threshold for accompanied passenger baggage

These changes refine VAT treatment rather than broadly removing exemptions across sectors.

Implication:

Businesses in digital financial services and VAT-heavy supply chains will need to reassess compliance and input VAT recovery positions.



Sector-Specific Incentives

Key Changes

VAT exemptions and incentives introduced for:

- Electric vehicles and batteries
- Pharmaceutical manufacturing
- Renewable energy products
- Animal feed production
- REITs (CGT and stamp duty exemptions)

Implication:

- Encourages investment in green energy and manufacturing
- Supports long-term economic development priorities

Reintroduction of Tax Amnesty

Key Changes

Proposal to reintroduce a **tax amnesty programme** to encourage voluntary disclosure of past tax liability relating to periods up to 31 December 2025

•Amnesty window closes on **31 December 2026**

A tax amnesty is a **limited-time opportunity offered by the government** that allows taxpayers to:

- Declare previously undisclosed income or transactions
- Settle outstanding tax liabilities
- Benefit from waiver of penalties and/or interest (fully or partially)

Typically, the taxpayer is required to pay the principal tax due, while penalties and interest are reduced or forgiven. In practice: A business that previously under-declared income may disclose it now and avoid heavy penalties. An individual with undeclared foreign income or crypto gains can regularise their position at a lower cost

Implication:

- Provides a window to clean up historical tax exposures
- Particularly relevant given the shift toward data-driven enforcement and information sharing
- Businesses should consider conducting internal tax health checks to identify potential exposures early

Introduction of Non-Resident Rental Income Tax

Key Changes

Effective **1 July 2026**, the Bill introduces a **new tax regime for non-resident landlords** earning income from property in Kenya:

- **Final tax regime**
- **30% tax on gross rent** from immovable property
- **15% tax on other property income**

Non-resident landlords will be required to:

- Register under a simplified framework with the Kenya Revenue Authority
- File monthly returns
- Pay tax by the 20th of the following month

Resident agents may:

- Withhold and remit tax on behalf of non-residents
- Must be appointed by the Commissioner
- Tax must be remitted within 5 working days

PIN Exemption

- Non-resident investors are **exempt from requiring a PIN** when opening an account with an investment bank

Implication:

- No deduction of expenses → **higher effective tax burden**
- Monthly taxation → **cash flow impact**
- Greater oversight through agents and reporting

This measure is clearly aimed at: Bringing non-resident taxpayers firmly into the tax net. Reducing tax leakage in the real estate sector. And simplifying enforcement through withholding-based taxation

Investors may need to reassess:

- Ownership structures
- Use of local entities
- Tax efficiency of real estate investments

However, the gross tax approach (30%) may: Discourage foreign property investment and increase rental costs as landlords pass on the tax burden

What the Finance Bill 2026 Means for Businesses in Kenya

- Businesses will face a shorter tax filing timeline: The due date for filing income tax returns will be reduced from 6 months to 4 months after the end of the year of income. Nil returns will now be due by the end of the first month after year-end, significantly compressing compliance timelines for both individuals and companies.
- Digital and payment service transactions will now attract withholding tax: The Bill introduces withholding tax on interchange fees, merchant service fees, and payments to card companies, following a Supreme Court ruling that such fees were previously outside the withholding tax scope. This increases cost pressures for payment processors and businesses relying heavily on card transactions.
- Tax amnesty is being reintroduced for historical liabilities: Taxpayers will be allowed to regularise liabilities relating to periods up to 31 December 2025, with the amnesty window closing on 31 December 2026. This provides an opportunity to clear past exposures before stricter enforcement.
- Informal imports such as second-hand clothing will now be taxed upfront: Importation of mitumba and similar goods will be subject to an effective implied income tax rate of 1.5% of customs value, bringing more informal trade into the tax net at point of importation.
- Monthly rental income tax rates will increase: The tax rate on monthly rental income will rise from 7.5% to 10%, increasing the tax burden on landlords and potentially impacting rental pricing structures.
- VAT rules are being adjusted for specific transactions: VAT will now apply to digital and platform-based financial services, while additional changes include higher VAT-free thresholds for accompanied baggage and new rules allowing recovery of input VAT on unsold supplies following rate changes.
- Tax administration timelines are becoming stricter and more rigid: Objection and appeal timelines will now be computed in calendar days instead of working days, reducing flexibility for taxpayers in dispute resolution processes.
- KRA gains stronger powers in VAT recovery: The Commissioner will now be able to recover input VAT claimed on unsold supplies where there is a change in VAT rate, tightening control on VAT refunds and claims.
- Non-residents are being given simplified banking compliance rules: Non-residents will be exempt from the requirement to obtain a KRA PIN when opening accounts with investment banks, easing cross-border investment processes.

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- Tax structuring and compliance reviews*
- Advisory on digital tax and cross-border transactions*
- Preparation for the new filing and reporting requirements*

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