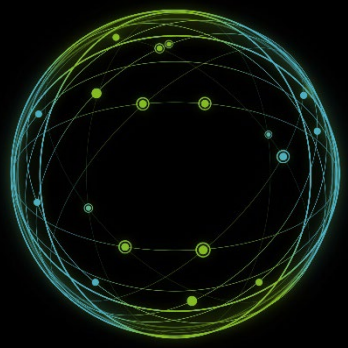
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International Tax

Kenya Highlights 2026

Updated February 2026



Recent developments

For the latest tax developments relating to Kenya, see Deloitte tax@hand.

Investment basics

Currency: Kenyan Shilling (KES)

Foreign exchange control: There are no foreign exchange controls, but banks must report any transactions above USD 15,000 or equivalent to the Central Bank.

Accounting principles/financial statements: IFRS applies. Financial statements must be prepared annually.

Principal business entities: These are the public/private limited liability company, company limited by guarantee, sole proprietorship, partnership (including the limited liability partnership), cooperative society, and branch of a local or foreign company.

Corporate taxation

Rates	
Corporate income tax rate	30% (in general)
Branch tax rate	30%, plus 15% branch repatriation tax
Capital gains tax rate	15%

Residence: A company or similar corporate entity is tax resident if it is incorporated under Kenyan law, if management and control of its affairs are exercised in Kenya, or if the cabinet secretary responsible for finance declares the entity to be tax resident in a notice published in the *Kenya Gazette*.

Basis: Resident and nonresident corporate entities are subject to tax on all income accruing in or derived from Kenya. The determination of the taxable income of a branch generally is similar to that of a subsidiary. However, unless an applicable tax treaty provides otherwise, a branch is not allowed to claim the following expenses as deductions:

- Interest, royalties, and management or professional fees paid or claimed to be paid by the branch to the head office; and
- Exchange differences (losses or gains) arising from dealings with the head office.

Taxable income: Income tax is imposed on a company's gross income, less allowable deductions. In general, expenses must be incurred wholly and exclusively in the production of income and not be capital in nature to be deductible for tax purposes.

Business income, investment income (other than for financial institutions, for which investment income is considered business income), rental income from immovable property, and income from agriculture are assessed separately.

Rate

General

The general corporate income tax rate for both resident companies and branches of foreign companies is 30%. An additional branch/permanent establishment (PE) repatriation tax of 15% also applies to branches.

To boost the housing development sector, the corporate income tax rate for a year of income for companies that construct at least 100 residential units annually is reduced from 30% to 15%, subject to approval by the cabinet secretary responsible for housing and restricted to the proportion of turnover relating to housing activity.

The corporate income tax rate for new local motor vehicle assemblers is 15% for the first five years, to promote the assembly of motor vehicles in Kenya; the 15% rate is extended for an additional five years where at least 50% of the ex-factory value of the motor vehicles is attributable to local materials.

Companies working under special agreements with the government are eligible for special corporate income tax rates provided under such agreements.

Companies that manufacture human vaccines in Kenya are subject to corporate income tax at a rate of 10% while those that operate a shipping business in Kenya or a carbon market exchange or emissions trading system certified by the Nairobi International Financial Center Authority (NIFCA) are taxable at 15% for the first 10 years of operation.

Effective 1 July 2025, the corporate income tax rate for a startup company certified by NIFCA is reduced to 15% for the first three years and 20% for the succeeding four years. The corporate income tax rate is also reduced to 15% for the first 10 years and 20% for the subsequent 10 years if the company is certified by NIFCA and:

- The company invests at least KES 3 billion (approximately USD 23.2 million) in its first three years of operation;
- The company is a holding company with at least 70% of senior management consisting of Kenyan citizens; and
- The regional headquarters of the company are in Kenya with at least 60% of senior management consisting of Kenyan citizens.

See also “Turnover tax” under “Other taxes on corporations and individuals: Other,” below.

Surtax

There is no surtax.

Alternative minimum tax

A minimum tax of 1% of gross taxable income with effect as from 1 January 2021 was ruled unconstitutional by both the High Court and the Court of Appeal. After more than four years, the Finance Act, 2025 repealed the minimum tax provisions in the Income Tax Act with effect as from 1 July 2025 as the tax has not been applied in practice.

Global minimum tax (Pillar Two)

Kenya has begun implementing rules that generally are in line with the global anti-base erosion (GloBE) or “Pillar Two” model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for certain multinational enterprise groups.

In particular, Kenya has introduced a domestic minimum top-up tax as from 27 December 2024 for covered persons whose combined effective tax rate in a year is less than 15%. Further, Kenya released draft Income Tax (Domestic Minimum Top-up

Tax) Regulations on 3 November 2025 for administrative guidance, which mirror the OECD guidelines. The amount of tax payable is due by the end of the fourth month following the close of the covered person's relevant year of income and is the difference between 15% of the net income or loss of the covered person and the combined effective tax rate for the year, multiplied by the excess profit, as these terms are further defined below.

A covered person is defined as a resident person or a person with a PE in Kenya that is a member of a multinational group and whose ultimate parent entity (UPE) has a consolidated annual turnover of at least EUR 750 million in at least two of the four years of income immediately preceding the tested income year.

The effective tax rate for the covered person is determined as follows:

(Sum of all adjusted covered taxes/Sum of all net income or loss for the year of income) x 100

Adjusted covered taxes are the taxes recorded in the financial accounts for the income, profits, or share of the income or profits of a constituent entity where the constituent entity owns an interest and includes taxes on distributed profits and deemed profit distributions under the Income Tax Act, subject to such adjustments as may be prescribed.

Net income or loss is the net income or loss for the year after deducting the sum of the covered person's losses as determined under Kenya's recognized accounting standards.

Excess profit is the net income or loss less 10% of employee costs and 8% of the book value of tangible assets. These items may be adjusted as prescribed in regulations.

The domestic minimum top-up tax rules are not applicable to public entities that are not engaged in business, institutions that are exempt from income tax under paragraph 10 of the first schedule of the Income Tax Act, pension funds and their assets, real estate investment vehicles that are UPEs, non-operating investment holding companies, investment funds that are UPEs, sovereign wealth funds, and intergovernmental or supranational organizations.

Taxation of dividends: Dividends from a Kenyan company generally have not been subject to tax in addition to that deducted at source (see "Withholding tax," below). Dividends from a foreign company also generally have not been taxable in Kenya. In July 2025, an amendment was introduced in the Income Tax Act to clarify and confirm that withholding tax deducted from qualifying dividends is a final tax.

Capital gains: The capital gains tax rate is 15% of the net gain, which is a final tax. The capital gains tax rate is reduced to 5% where firms certified by NIFCA invest at least KES 3 billion (approximately USD 23.2 million) in at least one entity incorporated or registered in Kenya within a period of two years and transfer their investment after five years.

Gains arising from the transfer of shares traded on a securities exchange licensed by the Capital Markets Authority are not subject to capital gains tax. Capital gains that arise due to an internal reorganization within a group are exempt from capital gains tax only if the group has existed for at least 24 months.

Capital gains tax also applies to:

- Gains derived from the alienation of shares or comparable interests, including interests in a partnership or trust, if, at any time during the 365 days preceding the alienation, the shares or comparable interests derived more than 20% of their value, directly or indirectly, from immovable property situated in Kenya; and
- Gains derived from the alienation of shares of a company resident in Kenya where the alienator, at any time during the 365 days preceding the alienation, held, directly or indirectly, at least 20% of the capital of the company.

Losses: A limitation of the period to carry forward tax losses was introduced as from 1 July 2025. Tax losses may only be used in the year of income in which they arise and the succeeding five years of income. This period may be extended by up to an additional five years upon application. Losses may not be carried back, other than by oil and gas companies. Losses may be set off only against income from the same source, and capital losses are not deductible against trading income.

Foreign tax relief: Foreign taxes paid are treated as allowable expenses, but a tax credit may be granted where a tax treaty applies.

Participation exemption: A participation exemption exists only where a resident company holds 12.5% or more of the shares of another company. The participation exemption in Kenya applies only to dividends.

Holding company regime: There is no holding company regime.

Incentives: Kenya provides for a 100% investment allowance on capital expenditure incurred on hotel buildings as well as buildings and machinery used for manufacturing where the cumulative investment in the preceding three years outside Nairobi City County or Mombasa County is at least KES 1 billion (approximately USD 7.7 million), where the investment value outside Nairobi City County or Mombasa County in the current year is at least KES 250 million (approximately USD 1.9 million), or where the investment is incurred in a special economic zone (SEZ). A 150% investment allowance is also applicable where the cumulative investment value for the four years preceding 1 July 2022 or the cumulative investment for the succeeding three years outside Nairobi City County or Mombasa County is at least KES 1 billion.

The cost incurred by telecommunication operators to acquire a spectrum license is eligible for a capital allowance of 10% per year as from 1 July 2025. For an existing spectrum license, the deduction is restricted to the unamortized portion over the remaining useful life of the spectrum license.

Enterprises in export processing zones enjoy a 10-year tax holiday after which their income is taxable at 25% for the next 10 years.

Enterprises located in SEZs are subject to corporate income tax at a reduced rate of 10% for the first 10 years and 15% for the next 10 years, regardless of whether the enterprise sells its products to markets within Kenya or internationally. SEZ enterprises also are eligible for a 100% investment allowance on capital expenditure incurred on hotel buildings as well as buildings and machinery used for manufacturing. Reduced withholding tax rates apply to certain payments made by an SEZ enterprise to a nonresident (see “Withholding tax,” below).

Compliance for corporations

Tax year: The tax year is the calendar year, although a company (other than a financial institution) may adopt any year end. Where a company prepares accounts for a period other than 12 months, the period for which accounts are prepared will be the tax year for tax assessment purposes. All taxable income is assessed in the tax year in which the company’s accounting year ends.

Consolidated returns: Consolidated returns are not permitted; each company must file a separate return.

Filing and payment: The self-assessment return must be filed within six months of the end of a company’s accounting period. The return must be filed electronically using the online system (iTax). Tax is payable in four equal installments, which are due on the 20th day of the fourth, sixth, ninth, and 12th months. The installment tax payable is based on the relevant proportion of the estimated current tax or 110% of the tax for the previous year, less previous installments paid and withholding tax deducted at source. The balance of tax, if any, is due at the end of the fourth month after the company’s year end. Agricultural companies pay their taxes in two installments. Their first installment payment accounts for 75% of the total tax payable and is due on the 20th day of the ninth month. The second installment is due on the 20th day of the 12th month.

An employer must file its monthly returns in respect of employment income electronically.

As from 1 July 2025, the Commissioner of Taxes is empowered to issue agency notices for recovery of unpaid taxes from nonresidents. The amendment is aimed at enhancing tax enforcement for nonresidents subject to tax in Kenya. Where a tax agent of a nonresident, including banks and customers, receives an agency notice, the tax agent is required to remit funds to the Kenya Revenue Authority for the outstanding taxes. Prior to 1 July 2025, the Commissioner of Taxes typically issued agency notices only to agents of resident persons.

Penalties: Late payments of self-assessed tax are subject to a 5% penalty, plus 1% interest per month. A late filing penalty of 25% of the tax due (subject to a minimum of KES 10,000) applies to a return required to be submitted by an employer in respect of employment income. Otherwise, a 5% late filing penalty (subject to a minimum of KES 20,000) applies on any amount still owed four months after the year end.

Rulings: A taxpayer may request a binding interpretation from the Kenya Revenue Authority on the tax legislation as it applies to specific situations.

Individual taxation

Rates		
Individual income tax rate	**Taxable income (KES)**	**Rate**
	Up to 288,000	10%
	288,001–388,000	25%
	388,001–6,000,000	30%
	6,000,001–9,600,000	32.5%
	Over 9,600,000	35%
Capital gains tax rate		15%

Residence: Individuals are resident in Kenya if they have a permanent home in Kenya and are present in Kenya at any time during the year. Individuals who do not have a permanent home in Kenya are tax resident in a tax year if they are present in Kenya for at least 183 days in the tax year, or if they have averaged 122 days in the country in the tax year and the previous two tax years.

Basis: All income accruing in or derived from Kenya is subject to tax in Kenya. Kenyan residents are taxable on their worldwide employment income; nonresidents are taxable only on Kenyan-source employment income. Only Kenyan citizens may offset tax on foreign employment income against the tax charged in Kenya on such income. Non-citizen residents must include their after-tax foreign-source employment income in their Kenya taxable income.

Taxable income: Income tax is imposed on all income accruing in or derived from Kenya. Employment income is defined broadly and includes amounts paid outside Kenya. Taxable employment income does not include a subsistence allowance of up to KES 10,000 per day paid when working away from the normal place of duty (increased from KES 2,000 as from 1 July 2025). Fringe benefits are taxable to the employee, at either actual or deemed cost.

Rates: Progressive rates ranging from 10% to 35% are imposed on taxable income, as shown in the table above.

Capital gains: The capital gains tax rate is 15% of the net gain, which is a final tax. Gains arising from the transfer of shares traded on a securities exchange licensed by the Capital Markets Authority are exempt from capital gains tax.

Deductions and allowances: Personal relief is KES 28,800 per year. Insurance relief is 15% of education, health, or life insurance premium payments (up to KES 60,000 annually). The following may be deducted from taxable income: mortgage interest for owner-occupied property up to KES 360,000 annually; contributions to a post-retirement medical fund up to KES 180,00 annually; contributions to a registered pension or provident fund up to KES 360,000 annually (the deduction may not exceed 30% of employment income); and statutory deductions relating to the affordable housing levy and Social Health Insurance Fund (SHIF) (see “Social contributions and payroll taxes,” under “Other taxes on corporations and individuals,” below, for the affordable housing levy and SHIF).

Foreign tax relief: See “Basis,” above. Foreign taxes paid are treated as allowable expenses, but a tax credit may be granted to Kenyan citizens and non-citizen residents where a tax treaty applies.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Each individual must file a separate self-assessment return.

Filing and payment: Individual income tax returns are due by 30 June following the end of the tax year (even where the individual has a single employment and the tax payable on that compensation has been deducted under the Pay-As-You-Earn (PAYE) system by the employer), with any balance of tax due by 30 April following the end of the tax year. Electronic filing via iTax is mandatory.

Employment income is taxable in Kenya at the progressive individual income tax rates (see "Individual taxation," above) through PAYE. An employer has an obligation to deduct PAYE at the appropriate monthly graduated rates of tax upon payment of emoluments to an employee.

The tax deducted is payable to the Kenya Revenue Authority by the ninth day of the month following the payroll month. There is also a requirement for a monthly return to be filed electronically with the Kenya Revenue Authority, which is due on the ninth day of the month following the payroll month and essentially includes details of emoluments paid to employees in the given month and the corresponding taxes.

Penalties: Late payments of self-assessed tax are subject to a 5% penalty, plus 1% interest per month. A late filing penalty of 5% (subject to a minimum of KES 2,000) applies on any amount still owed on the return filing due date.

Rulings: An individual may request a binding interpretation from the Kenya Revenue Authority on the tax legislation as it applies to specific situations.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%/5%	0%/5%	0%/15%	0%/5%/15%
Interest	0%/10%/15%/25%	10%/15%/25%	0%/5%/7.5%/15%/25%	0%/5%/7.5%/15%/25%
Royalties	5%	5%	0%/5%/20%	0%/5%/20%

Dividends: No withholding tax is imposed if the dividend recipient is a resident company that controls 12.5% or more of the capital of the payer company. The rate is 5% for dividends paid to other residents of Kenya and citizens of the East African Community partner states; the rate is 15% for other nonresidents. No withholding tax is imposed on dividends paid by an SEZ enterprise to a nonresident. As from 1 July 2025, no withholding tax is imposed on dividends paid by a company certified by NIFCA if the company retains and reinvests in Kenya at least KES 250 million (approximately USD 1.9 million) in that year of income. The rates for nonresidents may be reduced under an applicable tax treaty.

Interest: Interest paid to resident financial institutions is exempt from withholding tax. The resident withholding tax rate is 25% for interest paid on bearer instruments other than government bearer bonds with a term of at least two years, 10% for interest paid on bearer bonds with a maturity of 10 or more years, and 15% for interest paid on other sources and government bearer bonds with a term of at least two years. Interest paid to nonresident financial institutions is subject to a 15% withholding tax. The rate is 25% for interest paid to nonresidents on bearer instruments other than government bearer bonds with a term of at least two years and 15% for interest paid on government bearer bonds with a term of at least two years. However, the withholding tax rate on interest and deemed interest arising from bearer bonds issued outside Kenya with a term of at least two years is 7.5%. Interest paid by an SEZ developer, operator, or enterprise to a nonresident is exempt from withholding tax in the first 10 years of operation, after which the interest is subject to a reduced withholding tax rate of 5%. The rates for nonresidents may be reduced under an applicable tax treaty.

Royalties: Royalties (and natural resource income) paid to a resident are subject to a 5% withholding tax. The general rate is 20% where royalties are paid to a nonresident. However, royalties paid by an SEZ developer, operator, or enterprise to a

nonresident are exempt from withholding tax in the first 10 years of operation, after which the royalties are subject to a reduced withholding tax rate of 5%. The rates for nonresidents may be reduced under an applicable tax treaty.

Fees for technical services: A 5% withholding tax applies to the payment of technical service fees (as well as professional and management fees other than contractual fees) where the services are provided by a resident. Where the fees relate to building works, civil works, or engineering works, the resident withholding tax rate is 3%. The general withholding tax rate on technical service fees paid to a nonresident service provider is 20%, unless reduced under an applicable tax treaty. However, the withholding tax rate on consultancy fees paid to a citizen of one of the East African Community partner states is 15%. Technical service fees paid by an SEZ developer, operator, or enterprise to a nonresident are exempt from withholding tax in the first 10 years of operation, after which the technical service fees are subject to a reduced withholding tax rate of 5%. Technical service fees paid to a nonresident without a PE in Kenya for specialized technical, maintenance, compliance, training, or digital systems support services are exempt from withholding tax provided such services are not available in Kenya or the service provider is certified or accredited by an international regulatory, standard-setting, or licensing body.

Branch remittance tax: Branches of foreign companies are subject to a branch/PE repatriation tax of 15% in addition to the corporate income tax.

Other: A 7.5% withholding tax applies to gross rent in respect of immovable property payable to residents, but the tax can be withheld only by agents appointed by the Kenya Revenue Authority. Rent for immovable property paid to a nonresident is liable to withholding tax in Kenya at 30%. The rate applicable to rent for the use of movable assets is nil if paid to residents and 15% if paid to nonresidents.

A 5% withholding tax applies to insurance and reinsurance premiums paid to nonresidents, except for insurance or reinsurance premiums paid for aircraft insurance.

Any resident or nonresident owner or operator of a digital marketplace or platform through which payments in respect of digital content monetization, property, or services are made or facilitated is required to withhold tax on the payments at 5% for residents and 20% for nonresidents.

Payments for the supply of goods to public entities are subject to withholding tax at a rate of 0.5% for payments to residents and 5% for nonresidents.

Anti-avoidance rules

Transfer pricing: Kenyan law requires arm's length pricing between related enterprises. Compliance with the OECD guidelines generally ensures compliance with Kenyan law, although domestic transfer pricing rules also are in place. Kenya also has country-by-country reporting requirements (including the requirement to file a local file and a master file) for multinationals with gross turnover of at least KES 95 billion (approximately EUR 750 million).

The transfer pricing rules also apply to transactions with unrelated nonresidents located in jurisdictions with a preferential tax regime, their associated enterprises, and their PEs in Kenya. A preferential tax regime is defined as including:

- Any Kenyan legislation, regulation, or administrative practice that provides a preferential rate of tax on income or profit, including reductions in the tax rate or the tax base; or
- The tax regime of a foreign jurisdiction that does not tax income, taxes income at a rate that is less than 20%, does not have a framework for the exchange of information, or lacks transparency on corporate structure, ownership of legal entities located therein, beneficial owners of income or capital, financial disclosure, or regulatory supervision.

Kenya has introduced advance pricing agreements (APAs) with effect as from 1 January 2026. The APA provisions allow a taxpayer to agree with the Kenya Revenue Authority on the appropriate criteria for the determination of the arm's length price for future related party transactions. An APA is valid for up to five years. The draft Income Tax (Advance Pricing Agreement) Regulations, 2025, which will aid in the implementation of APAs, were published on 3 November 2025 and are expected to be gazetted by 1 July 2026 after a public consultation process.

Interest deduction limitations: Save for certain excluded entities, interest expense on foreign loans in excess of 30% of EBITDA (earnings before interest, taxes, depreciation, and amortization) is not allowed as a deduction. The disallowed interest may be claimed in the subsequent three years of income to the extent that the deduction for the total interest brought forward and the interest on foreign loans in the year under consideration does not exceed 30% of EBITDA.

Entities excluded from this interest limitation rule are:

- Banks and financial institutions licensed under the Banking Act;
- Micro and small enterprises registered under the Micro and Small Enterprises Act, 2012;
- Microfinance institutions;
- Hire purchase institutions;
- Institutions involved in a lending and leasing business;
- Companies manufacturing human vaccines; and
- Holding companies regulated under the Capital Markets Act.

Entities subject to the interest limitation rule also must defer the deduction of realized foreign exchange losses incurred on loans from foreign sources and may claim the same within five years.

Deemed interest is imposed on companies that receive interest-free loans from nonresident related companies. The tax authorities prescribe the deemed interest rate each quarter, based on the average 91-day treasury bill rate. This rate is applied to the interest-free loan balance during the quarter. The deemed interest amount is not deductible for tax purposes and is subject to withholding tax at the rates applicable on actual interest.

Controlled foreign companies: There are no controlled foreign company rules.

Anti-hybrid rules: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: The tax authorities have the statutory right to require a taxpayer to provide information concerning its own tax affairs and may require banks to provide information about payments of interest.

Exit tax: There is no exit tax.

General anti-avoidance rule: Kenya has anti-tax avoidance rules, which empower the Kenya Revenue Authority to counter an arrangement if the main purpose, or one of the main purposes, of the arrangement is the avoidance or reduction of tax. Where the Kenya Revenue Authority invokes the anti-avoidance provisions, the tax that would have applied had the arrangement not been in place will be assessed.

The Income Tax Act contains a provision that allows the Kenya Revenue Authority to deem a dividend to have been distributed where a company has accounting profits but fails, without any plausible reason, to distribute them to its shareholders as dividends within a reasonable period, not exceeding 12 months, after the end of its accounting period. The Kenya Revenue Authority may then impose the withholding tax that would have applied had the distribution occurred. Where the profits deemed to be distributed are subsequently distributed, appropriate adjustments need to be made to ensure they are not taxed twice.

Value added tax

Rates	
Standard rate	16%
Reduced rate	0%

Taxable transactions: VAT is imposed on the supply of taxable goods and services made or provided in Kenya by a taxable person in the course of, or in furtherance of, a business carried on by that person and on the import of taxable goods and

services into Kenya. Except for digitally supplied/electronic services, VAT on imported taxable services in Kenya is operated through the reverse VAT mechanism where VAT is accounted for by the recipient of the service. The reverse VAT calculated is the liability of the service recipient. Nonresident suppliers of digitally supplied/electronic services need to register for VAT in Kenya through the simplified registration framework and charge VAT on their taxable supplies.

Rates: The standard VAT rate is 16%, although certain supplies are exempt or zero-rated.

Registration: Registration is mandatory where the turnover from taxable supplies is, or is expected to be, at least KES 5 million (approximately USD 38,747) in a 12-month period. Nonresident suppliers of electronic services or services provided through a digital marketplace must register even if their annual turnover is less than KES 5 million.

Filing and payment: VAT returns are submitted monthly and the return and any related payment are due by the 20th day of the following month.

Agents appointed by the tax authorities are required to withhold a prescribed portion of the VAT amount and remit the withheld VAT within five working days.

Late payment of VAT attracts a penalty of 5% of the tax outstanding and simple interest at 1% per month. Failure to submit VAT returns results in a penalty of 5% of the tax due, subject to a minimum penalty of KES 10,000. An appointed agent who fails to remit the withheld VAT within the prescribed time is subject to a penalty of 10% of the withheld VAT due.

Other

Excise duty

Excise duty is charged at different rates on specified products and services, both on importation and local manufacture. Effective 1 July 2025, a 10% excise duty applies on the fees charged on virtual asset transactions by virtual asset providers.

Electronic Tax Invoice Management System (eTIMS) compliance

All persons engaged in business, irrespective of whether they are registered for VAT, are required to onboard eTIMS and issue electronic tax invoices. The Income Tax Act prohibits a deduction of expenditure or loss where the invoices supporting the transactions are not eTIMS compliant, except where the transactions are exempted from the eTIMS requirement. Exempted transactions include emoluments, imports, interest, transactions for accounting for investment allowances, airline passenger ticketing, and payments subject to a final withholding tax.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social contributions and payroll taxes: An employee must contribute to the National Social Security Fund (NSSF) and the SHIF. An employer contributes only to the NSSF.

Every Kenyan and non-Kenyan resident residing in Kenya for more than 12 months must be registered and is liable for contributions to the SHIF. Salaried households must make a monthly statutory contribution to the SHIF at a rate of 2.75% of their gross salary or wage while households whose income is not derived from salaried employment must make an annual contribution at a rate of 2.75% of their household income.

There are two tiers of mandatory contributions to the NSSF. Under Tier I, the employer's monthly contribution for each employee is 6% of the employee's monthly pensionable earnings, up to a limit of the average statutory minimum monthly wage prescribed by the government (KES 8,000 through January 2026 and KES 9,000 from February 2026 through January 2027). Tier II contributions are 6% of the employee's pensionable earnings above the minimum wage and up to an upper limit that is tied to the national average earnings (KES 72,000 through January 2026 and KES 108,000 as from 1 February 2026). As from

February 2027, the lower earnings limit will be gazetted by the government, while the upper limit (Tier II) will rise further, heavily affecting higher earners. Employees also contribute an equal amount under both Tier I and Tier II. An employer can contract out of paying Tier II contributions to a contracted-out scheme (private occupational pension scheme), provided such scheme meets the conditions stipulated in the NSSF Act 2013 and the employer obtains prior approval from the Retirement Benefits Authority.

An affordable housing levy applies at the rate of 1.5% of an employee's gross monthly salary, with the employer matching the contribution.

Capital duty: See "Stamp duty," below.

Real property tax: Land rates are assessed by local county governments (see also "Stamp duty," below).

Transfer tax: See "Stamp duty," below. Capital gains tax also may apply on property transfers.

Stamp duty: Stamp duty is charged at nominal or ad valorem rates on certain financial instruments and transactions. A 1% stamp duty is imposed on a subsequent increase of authorized share capital. Stamp duty is imposed at a rate of 4% on immovable property (2% if imposed outside the municipalities), and at a rate of 1% on the transfer of shares and other securities. An exemption applies if the shares/securities are listed on the Nairobi Securities Exchange.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other

Significant economic presence tax (SEP tax)

The SEP tax applies on the income derived by a nonresident person from the provision of services over the internet or electronic network, including through a digital marketplace in Kenya. A nonresident person is deemed to have a significant economic presence in Kenya if the user of the service is in Kenya.

The SEP tax applies at a rate of 30% of deemed taxable profit, which is currently 10% of gross turnover. Effectively, the SEP tax applies at a rate of 3% of gross turnover.

The SEP tax is not applicable to:

- Nonresidents with PEs in Kenya;
- Income subject to withholding tax;
- Income of a nonresident person who carries on the business of transmitting messages by cable, radio, optical fiber, television broadcasting, very small aperture terminal (VSAT), internet, satellite, or by any other similar method of communication; or
- Nonresidents providing digital services to an airline in which the Kenyan government has at least a 45% shareholding.

Persons subject to the SEP tax are required to submit a tax return and pay the tax on or before the 20th day of the month following the end of the month in which the service was rendered. The draft Income Tax (Significant Economic Presence Tax) Regulations, 2025, which will aid in the implementation of the SEP tax, were published on 22 September 2025 and should be gazetted in the near future as the public consultation process ended in October 2025.

Digital asset tax

Until 30 June 2025, a 3% digital asset tax was imposed on the income derived by a person on the transfer or exchange of digital assets. The digital asset tax regime was repealed with effect as from 1 July 2025.

Tax on distributions from untaxed profits

A rate of 30% applies on distributions from untaxed profits (although guidelines have not yet been issued on the determination of untaxed profits). Previously known as compensating tax, the tax is payable by the company distributing the dividends and is not applicable on distributions from income that is exempt under the Income Tax Act.

Fringe benefits tax

Fringe benefits tax is chargeable on companies in respect of concessionary rate loans granted to employees. All other benefits are taxable to the employee.

Residential rental income tax

The residential rental income of a person (entity or individual) in excess of KES 288,000 (approximately USD 2,232) per year but not greater than KES 15 million (approximately USD 116,242) per year is taxed at a rate of 7.5% on gross proceeds. Taxpayers have the option to be taxed on a net income basis by filing a written election with the Commissioner of Domestic Taxes. Taxpayers earning residential rental income exceeding KES 15 million per year are taxed on a net income basis.

Turnover tax

Turnover tax at a rate of 1.5% of gross business receipts may be payable by resident businesses. The tax applies to the business income of both incorporated and unincorporated persons if the income ranges from KES 1 million to KES 25 million (approximately from USD 7,749 to USD 193,736) per year. The tax is accounted for monthly, with the return and payment due on or before the 20th day of the month following the tax period.

A person eligible to pay turnover tax may elect not to be subject to turnover tax by providing a notice to the Commissioner of Domestic Taxes, in which case the person will be subject to the regular income tax rates on business profits, among other income.

Turnover tax does not apply to rental income; management, professional, or training fees; and any income that is subject to a final withholding tax.

Tax treaties: Kenya has concluded more than 30 tax treaties, 15 of which are in force. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for Kenya on 1 May 2025.

For further information on Kenya's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Kenya Revenue Authority

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