

Finance Act, 2025 Insights
On the Edge: Navigating Kenya's
Fiscal Tightrope

July 2025

Introduction

Finance Act, 2025 ("the Act") was assented on 27 June 2025.

The Act has introduced amendments to the Income Tax Act (Cap 470), Value Added Tax Act (Cap 476), Excise Duty Act (Cap 472), Miscellaneous Fees and Levies Act (Cap 469C), Tax Procedures Act (Cap 469B), and the Stamp Duty Act (CAP 480).

Save for two amendments that will come into force on 1 January 2026, all other changes introduced by the Act are effective from 1 July 2025.

This publication provides a detailed analysis of the amendments and their impact.



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Corporate Tax

Corporate Tax

Enacted

#	Enacted change	Details	Our comments
1	Repeal of Minimum Tax provisions.	<ul style="list-style-type: none"> The Act has repealed Section 12D of the ITA which imposed minimum tax at the rate of 1% on the annual gross turnover of taxpayers unless explicitly exempted. Minimum tax was introduced through the Finance Act, 2020 and was payable to KRA on the twentieth day of the fourth, sixth, ninth and twelfth month of the year of income. This provision was meant to take effect on 1 January 2021. However, a legal petition filed at the High Court of Kenya where the court issued conservatory orders on 19 April 2021 to suspend implementation of the tax. These provisions were thereafter declared unconstitutional by the Court of Appeal on 2 December 2022 and have not been in force since the judgement was delivered. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment is introduced to align Kenya's tax landscape with the Constitution of the Republic of Kenya, following the Court ruling that the provisions were unconstitutional, and to ensure the ITA conforms with basic principles of charging income tax on gains or profits. The repealed provision was punitive to entities that were in a tax loss position due to significant investments, for which they enjoyed investment allowances. Further, persons with high revenues but low margins were negatively impacted to pay minimum tax on turnovers which would not ordinarily result into taxable income where the operating expense are high.

Corporate Tax

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2.	Limitation of period to carry forward tax losses.	<ul style="list-style-type: none"> The Act reintroduces the limitation period of utilization of tax losses in Section 15(4) of the Income Tax Act (“ITA”). Tax losses shall only be available for utilization in the year of income in which they arise and the succeeding five years of income. The Act also amends Section 15(5) of the ITA to allow the Cabinet Secretary on recommendation of the Commissioner to extend the period of deduction beyond five years. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment may have been informed by the declaration of minimum tax to be unconstitutional. This amendment does not have a transitional provision for losses that may have arisen in prior years and may attract varying interpretations. Generally, retrospective application of the amendment or repeal of a law is not allowed as provided for under Section 23(3)(c) of the Interpretation and General Provisions Act. This section in part states that the amendment should not affect a right, privilege, obligation or liability acquired, accrued or incurred under a written law so repealed or amended. Taxpayers need to monitor their tax loss position and consider applying for extension if it becomes certain that the losses will not be utilized within 5 years. Whilst the Act seeks to provide taxpayers with the option to apply for extension of the period of deduction beyond five years, the legal standing of Section 15(5) may be subjected to varying interpretation. The Finance Act, 2014 renumbered Section 15(4A) of the ITA to Section 15(5). However, when the tax loss carry forward period became indefinite with effect from July 2021, Section 15(5) of the ITA was logically redundant. To cure this redundancy, the Finance Act, 2022 made an attempt to delete Section 15(5) from the ITA but it instead deleted 15(4A), a provision that had been expunged from the tax statute through the Finance Act, 2014.
3.	Reintroduction of diminution allowance.	<ul style="list-style-type: none"> The Act has amended Section 15(2)(g) of the ITA by reintroducing the deduction, in respect of diminution in value of any implement, utensil or similar article employed in the production of gains or profits not being machinery or plant in respect of which a deduction may be made under the Second Schedule to the ITA. The deduction shall be at the rate of 100% of the cost incurred. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment remedies the drafting error in the Finance Act, 2023 which deleted the provision in Section 15(2)(g) but failed to introduce an alternative provision. Taxpayers will now be entitled to a full deduction of the diminution allowance in the year of expenditure, a departure from the practice in prior years where the deduction was claimable over three years at the rate of 33.3% per year.

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4.	Repeal of deductions applicable to persons dealing in the sale of standing timber.	<ul style="list-style-type: none"> The Act has repealed Section 15(2)(i) of the ITA that entitled owners of land who accrue gains or profits from the sale of, or the grant of the right to fell, standing timber which was growing on such land at the time such owner acquired such land, to a deduction as follows: <ul style="list-style-type: none"> i. where such land was acquired for valuable consideration, so much of the consideration as the Commissioner may determine to be just and reasonable as representing the cost of such standing timber; or ii. where no valuable consideration was given for the land, so much of such amount as the Commissioner may determine to be just and reasonable as representing the value of such standing timber at the time the owner acquired such land, as is attributable to such timber sold during such year of income. The Act also deletes Section 15(2)(j) of the ITA which entitled a person who purchases the right to fell standing timber and accrues gains or profits from the sale of such timber to a deduction in respect of the price paid for such right as the Commissioner may determine to be just and reasonable as attributable to the timber sold during the year of income. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The repeal of Section 15(2)(i) and (j) of the ITA implies that only the general deduction provision in Section 15(1) of the ITA applies. Section 15(1) of the ITA entitles a person, subject to section 16 of same Act, to a deduction in respect of expenditure which is wholly and exclusively incurred in the production of income.
5.	Investment allowance on spectrum license.	<ul style="list-style-type: none"> The Act has amended paragraph 1(c) of the Second Schedule to the ITA to extend the 10% p.a. allowance applicable to infeasible rights to use (IRU) fibre optic cable to also apply to spectrum license by telecommunication operators. These costs were previously not claimable. The Act has also introduced a new proviso to the above paragraph 1(c) to restrict the deduction of investment allowance to the unamortized balance of the spectrum license as of 1 July 2025 over the remaining useful life of the spectrum license. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Legal precedence in jurisdictions such as Singapore, UK, Australia and Malaysia have ruled that specific legislation was needed to make clear that expenditure relating to spectrum license was deductible. This amendment aligns with provisions in other jurisdictions and to the High Court judgement on <i>Income Tax Appeal No. 272 of 2015 (KRA vs Kencell Communication Limited)</i>.

Corporate Tax

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6.	Expenditure on construction of sports facilities to be deductible.	<ul style="list-style-type: none"> The Act amends Section 15(2)(w) of the ITA to entitle a person to a deduction in respect of expenditure incurred in the construction of a sports facility on public grounds. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment is welcome, as it incentivizes organizations to participate in the construction of sporting facilities. This incentive is timely, as Kenya gears to co-host the Africa Cup of Nations (“AFCON”) in 2027 with Uganda and Tanzania.
7.	Change of accounting year end.	<ul style="list-style-type: none"> The Act has amended Section 27 (1C) of the ITA to reduce the time granted to the Commissioner to communicate his decision with respect to an application for change of accounting year end from six months to three months after the application is lodged. Further, the Act has introduced subsection 1D to provide that an application for change of the accounting year end will be deemed allowed if the Commissioner does not respond within three months from the date the application is lodged. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment shortens the timeframe within which the Commissioner ought to respond to taxpayers from six to three months. It also compels the Commissioner to communicate a decision to enable taxpayers operate seamlessly. To effect this change, the Commissioner ought to configure the i-Tax portal to automatically deem an application to have been approved at the end of the third month if the Commissioner will not have responded.
8.	Timeline for issuance of a tax exemption certificate.	<ul style="list-style-type: none"> The Act has amended Paragraph 10 of the ITA’s First Schedule to increase the timeframe within which the Commissioner is required to issue a tax exemption certificate to an applicant from 60 days to 90 days. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment grants the Commissioner more time to conduct verification regarding fulfillment of the requirements for tax exemption. The expanded timeframe may have been informed by the guidelines on deductibility of donations and exemption from income tax for charitable organizations published in June 2024 which impose additional conditions to consider in the applications for exemptions. The Commissioner’s time to review the applications is also extended accordingly.

Corporate Tax

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9.	Penalty on underpayment of instalment taxes.	<ul style="list-style-type: none"> The Act repeals Section 72C of ITA, which provided for a penalty on underpayment of instalment taxes. The penalty was at a 20% of the difference between the instalment tax payable and 110% of the actual instalment tax paid. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The repeal is to align with Section 83A of the Tax Procedures Act, which provides the applicable sanctions on late payment of taxes. The penalty under Section 83A the Tax Procedures Act is currently prescribed at 5% of the tax payable.
10.	Clean up provisions relating to compensating tax.	<ul style="list-style-type: none"> The Act amends various sections of the ITA to remove reference to ‘compensating tax’ in the ITA as outlined below: <ul style="list-style-type: none"> - Deletion of the “compensating tax” definition in Section 2; - Deletion of the phrase “including compensating tax” in Section 16(2)(c), which prohibits a deduction in respect of any income tax or tax of a similar nature including compensating tax paid on income; - Replacing Section 52B (4) of the ITA, which required companies to include a declaration of any compensating tax due in their annual self assessment returns with a new Section 52B(4) which requires companies to include in their self assessment returns an assessment and return of any dividends distributed out of untaxed gains or profits; and - Deletion of Paragraph 63 of the ITA’s First Schedule, which provided for income tax exemption in respect of compensating tax accruing to a company undertaking the manufacture of human vaccines. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Prior to 2019, the ITA required a person to maintain a memorandum account known as dividend tax account (“DTA”) to track liability to compensating tax. Any income tax paid or 30/70 of dividends received would be credited in the DTA while any income tax refunds or 30/70 of dividends paid would be debited in the DTA. Compensating tax would arise if the debit side of the account exceeded the credit side. The Finance Act, 2018 repealed the compensating tax regime effective 1 January 2019 and introduced a simplified regime that requires dividends distributed out of untaxed gains or profits to be taxed at the resident corporate tax rate. The Act was not aligned to Section 7A of the ITA with hence repeal of the definition under Section 2 and any reference of compensating tax in the ITA. As was the case with compensating tax, the due date for tax on dividends distributed out of untaxed gains or profits is the due date for payment of tax under a self-assessment, which is the last date of the fourth month after year end.

Corporate Tax

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11.	Incentives to companies certified by the Nairobi International Financial Centre Authority.	<ul style="list-style-type: none"> The Act has introduced the following amendments aimed at incentivizing entities certified by the Nairobi International Financial Centre Authority (“NIFCA”): <ul style="list-style-type: none"> Introducing paragraph 75 into the ITA’s First Schedule, to provide an income tax exemption on dividends paid by a company certified by the NIFCA in a year if the company reinvests at least KES250 million in that year of income. Introducing paragraph 2(ii)(na) into the ITA’s Third Schedule, to provide for a reduced corporate tax rate of 15% for the first ten years and 20% for the subsequent 10 years for companies certified by the NIFCA, if; <ol style="list-style-type: none"> The company invests at least KES 3 billion shillings in the first three years of operation; The company is a holding company with at least 70% of the senior management being citizens of Kenya; and The regional headquarters of the company are in Kenya and at least 60% of the senior management are Kenyan citizens. Introducing paragraph 2(ii)(nb) into the ITA’s Third Schedule, to provide a reduced corporate tax rate of 15% for start-up companies certified by NIFCA for the first three years and 20% for the succeeding four years. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendments aims to promote the growth of NIFC which was established to position Nairobi as a premier financial hub in Africa. It is a key initiative, under the Economic Pillar of Kenya’s Vision 2030 project, whose objective is to attract global investment by providing an efficient, conducive environment for financial services and innovation. With a focus on modern infrastructure, regulatory transparency, and strategic partnerships, the government hopes that NIFC will foster economic growth and facilitate capital flow across the region through its business-friendly environment. The drafting of the Act causes ambiguity when it implies that for a NIFCA certified company to enjoy preferential income tax rate, it ought to be a holding company, and a regional headquarters based in Kenya. It is our view that the two conditions are mutually exclusive and that the Act should have been drafted in a way that clears legislative uncertainties. Further, save for Section 5 of the ITA which defines the term ‘eligible start-up company’ for employment tax purpose, there is no other definition of a ‘start-up’ company. The absence of such a definition leaves the term to diverse interpretations.

Corporate Tax

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12.	Fringe Benefit Tax rate specified.	<ul style="list-style-type: none"> The Act has introduced paragraph 15 to the Third Schedule of the ITA to provide that fringe benefit tax, which is the tax applicable on loans provided to employees and directors at preferential rates, is taxable on the employer at the resident corporation tax rate. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment remedies the gap on the taxation of fringe benefits following the deletion of Section 34 by the Tax Laws (Amendment) Act, 2024, with effect from 27th December 2024. This clarity is necessary for implementation of the above provisions.
13.	Due date for Domestic Minimum Top-up Tax.	<ul style="list-style-type: none"> The Act introduces Section 12G(3A) in the ITA to provide a statutory due date for payment of the Domestic Minimum Top-up Tax (“DMTT”), which was introduced through the Tax Laws (Amendment) Act, 2024. The tax should be paid by the end of the fourth month following the close of the covered person’s relevant year of income. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The DMTT provision allows Kenya to levy an additional tax on the excess profit of a covered person whose combined effective tax rate falls below 15% in a given year of income. The law defines “excess profit “ as the net income or loss of a covered person for the year of income less: <ul style="list-style-type: none"> a) 10% for the employee costs; and b) 8% for the net book value of tangible assets: <p>The employee costs and net book value of tangible assets may be adjusted through Regulations.</p> The specification of due date for payment eliminates any legal uncertainties that may arise on collection of DMTT. Multinational entities (MNEs) with global turnover of more than EUR 750 million with operations in Kenya must monitor their effective tax rates to ensure compliance with the minimum top-up tax requirements.

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14.	Introduction of Advance Pricing Agreements.	<ul style="list-style-type: none"> The Act has introduced Section 18G into the ITA, which provide for Advance Pricing Agreements (“APAs”) on transactions between related parties subject to transfer pricing rules. The APA provisions were first proposed vide the defunct Finance Bill, 2024. Under the APA provisions, a taxpayer is allowed to agree with KRA the appropriate criteria for the determination of the arm’s length price for future related party transactions. The APAs shall be valid for up to 5 years. The APA will be declared null and void from the date of entry into force where the Commissioner determines that the APA was entered based on misrepresentation of facts. The Cabinet Secretary is expected to issue regulations to facilitate better implementation of APA provisions within six months from 1st January 2026. <p>Effective date: 1 January 2026</p>	<ul style="list-style-type: none"> The amendment enhances certainty and minimizes potential transfer pricing disputes. APAs are becoming increasingly popular worldwide as they provide taxpayers with some level of certainty regarding their transfer pricing arrangements. It will also be beneficial to the KRA because unlike traditional tax audits that review transactions which have already taken place to determine compliance, APAs allow for review of prospective transactions to provide clarity for both the taxpayer and the revenue authority regarding the arm's length nature of the transactions. The introduction of APAs aligns Kenya’s tax legislation with OECD’s Pillar Two and BEPS frameworks and enhances the ease of doing business. It remains to be seen how the practical implementation of this provision will unfold. Allowing the Cabinet Secretary up to 6 months to issue regulations following the coming into force of the APA law may postpone the implementation of the APA provisions up to 1 July 2026. One would expect the regulations-to be in place before the provision takes effect on 1 January 2026.

Corporate Tax

Enacted

#	Enacted change	Details	Our comments
15.	Definition of related person.	<ul style="list-style-type: none"> The Act has repealed the definition of ‘related person’ in Section 2 of the ITA and substituted it with the following: <p><i>“Related person” in the case of two persons means, either of the persons who participates directly or indirectly in the management, control, or capital of the business of the other person, and in the case of more than the two persons;</i></p> <p><i>a) Any other person who participates directly or indirectly in the management, control or capital of the business of the two persons; or</i></p> <p><i>b) An individual who:</i></p> <ul style="list-style-type: none"> <i>i. participates directly or indirectly in the management, control or capital of the business of the two persons; and</i> <i>ii. Is associated to the two persons by marriage, consanguinity, or affinity; and</i> <i>iii. the two persons participate in the management, control, or capital of the business of the individual.</i> The definitions of “related person” in Section 18(6) of the ITA and Paragraph 1(3) of the ITA’s Eighth Schedule have also been deleted to remove duplications. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> These amendments are aimed at aligning and harmonizing the definition of related person under the ITA for both transfer pricing and Capital Gains Tax purposes.

Corporate Tax

Enacted

#	Enacted change	Details	Our comments
16.	Country by country reporting on behalf of other related parties.	<ul style="list-style-type: none"> The Act amends Section 18D of the ITA to clarify that a constituent entity in Kenya designated by the ultimate parent entity can file a country-by-country report (CbCR) and notify the Commissioner on behalf of other constituent entities in Kenya operating within the same MNE Group. The amendment further seeks to remove reference to such designated constituent entity as a surrogate parent entity. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This clarity will assist in reducing country-by-country reporting compliance costs for MNEs with multiple constituent entities in Kenya. This also enhances consistency of the CbCR filings.
17.	Exemption of the income of the Social Health Insurance Fund (SHIF) from tax.	<ul style="list-style-type: none"> The Act has deleted the income tax exemption applicable on the income of the National Health Insurance Fund (NHIF) in paragraph 45A of Part 1 of the First Schedule to the ITA and substituted it with a paragraph that exempts all contributions and other payments into and out of the Social Health Insurance Fund (SHIF) from tax. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment is informed by the replacement of the NHIF with SHIF in 2024.

Corporate Tax

The following proposals contained in the Finance Bill, 2025 were **dropped** prior to enactment of the Act

Dropped

#	Proposal	Details	Our comments
1.	Deductibility of donations for sponsoring sports.	<ul style="list-style-type: none"> The Finance Bill had proposed to repeal Section 15(2)(z) of the ITA, which entitles a person to a deduction in respect of expenditure incurred in sponsoring sports with the prior approval of the Cabinet Secretary responsible for Sports. 	<ul style="list-style-type: none"> The proposal to repeal Section 15(2)(z) was rightly rejected, as this move would have discouraged organisations from sports sponsorship.
2.	Repeal of the accelerated investment allowances.	<ul style="list-style-type: none"> The Bill had proposed to repeal Paragraphs 1A and 1B of the ITA's Second Schedule, which provide the accelerated investment allowance rates of 100% and 150% in the year of first use for investments made within special economic zones or outside Nairobi and Mombasa Counties on buildings used for manufacture, hotel buildings and machinery used for manufacture. 	<ul style="list-style-type: none"> This proposal would have negatively affected capital investments outside of Nairobi and Mombasa counties, which may have been undertaken in anticipation of recovering the cost in the first year from a tax perspective. The proposal may have also adversely impacted ongoing and prospective capital influx into the SEZ, which has recently been actively promoted by the government as a preferred investment destination.
3.	Repeal of preferential tax rates.	<ul style="list-style-type: none"> The Bill had proposed to amend paragraph 2(i) and 2(j) of the Third Schedule to the ITA to repeal the preferential tax rate of 15% applicable to: <ul style="list-style-type: none"> - Companies engaged in construction of at least 100 residential units in a year; and - Businesses engaged in the local assembly of motor vehicles. 	<ul style="list-style-type: none"> The omission of this proposal from the Act encourages continued investment in the sectors and aligns to the affordable housing program.



Withholding Tax

Withholding Tax

Enacted

#	Enacted change	Details	Our comments
1.	Payments made by the national carrier to non-resident persons for specific services excluded from the definition of management or professional fees.	<ul style="list-style-type: none"> The Act has amended Section 35(1)(a) of the ITA by introducing item (iii), which excludes the following from the scope of management or professional fee subject to withholding tax: <ul style="list-style-type: none"> payments by the national carrier to a non-resident without a PE in Kenya for specialised technical, maintenance, compliance, training, or digital systems support services, where such services are not available in Kenya or the service provider is certified or accredited by an international regulatory, standard-setting, or licensing body. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This exclusion implies that any payment for the specified services by the Kenya Airways to non-resident service providers will not be subject to withholding tax. This amendment is a reprieve to the national carrier since non-resident service providers tend to include gross-up clauses in their contracts which implies that the contracting party bears the resultant tax on such contracts.
2.	Withholding tax to no-longer apply on winnings but to withdrawals made by punters.	<ul style="list-style-type: none"> The Act has deleted the definition of “winnings” in Section 2 of the ITA, and any mention of “winnings” in Section 10, 35 and the Third Schedule of the ITA and substituted it with “withdrawals”. The Act has also introduced the following definition of the term ‘withdrawals’ in Section 2 of the ITA: <p><i>“Withdrawals means the amount of money withdrawn by the customer from their betting or gaming wallet maintained by a person licenced under the Betting, Lotteries and Gaming Act.”</i></p> The Third Schedule has also been amended to prescribe a withholding tax rate of 5% on the withdrawals made by both resident and non-residents. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> While this amendment may be considered positive by punters who will be subjected to lower withholding tax rates of 5% instead of the 20% rate that applied on winnings, the application of WHT on any withdrawals would mean tax being applied on both winnings and the amount deposited in the betting or gaming wallet whether it is staked or not. This amendment risks discouraging punters or players from depositing huge amounts in their betting or gaming wallets, as the same would attract WHT upon withdrawal.

Withholding Tax

Enacted

#	Enacted change	Details	Our comments
3.	Payments for supply of goods to a public entity to be deemed as income accrued in or derived from Kenya.	<ul style="list-style-type: none"> The Act amends Section 10 of the ITA to deem payments in respect of the supply of goods to a public entity to be income which accrued in or was derived from Kenya. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The WHT regime in Section 35 only applies to income that is accrued in or is derived from Kenya. The amendment remedies the drafting error vide the Tax Laws (Amendment) Act, 2024 which introduced WHT on payments in respect of the supply of goods to a public entity without deeming the same in Section 10 to be income accrued in or derived from Kenya.
4.	Payments in respect of the making or facilitating of payments over a digital marketplace deemed as income accrued in or derived from Kenya.	<ul style="list-style-type: none"> The Act amends Section 10 of the ITA to deem payments made to any resident or non-resident person in respect of the making or facilitating of payments over a digital marketplace to be income which accrued in or was derived from Kenya. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment attempts to remedy drafting errors vide the Tax Laws (Amendment) Act, 2024, which introduced a WHT obligation on payments in respect of the making or facilitating of payments over a digital marketplace but did not deem such payments to be income under Section 10 of the ITA. Despite the attempt to correct the error, we note that there is still a lacuna, as there is no corresponding WHT rate in respect of such payments in the Third Schedule. While one may argue that the applicable WHT rates are those stipulated in Paragraphs 3(v) and 5(o) <i>“in respect of the income deemed to have accrued in or been derived from a digital marketplace”</i>, we believe these rates apply to the income referenced in section 10(4) of the ITA. Section 10(4) was introduced through the Tax Laws (Amendment) Act, 2024 with effect from 27 December 2024 and provides that: <ul style="list-style-type: none"> <i>“Where a resident or a non-resident person, being the owner or operator of a digital marketplace or platform, makes or facilitates payment in respect of digital content monetization, property or services, the amount thereof shall be deemed to be income which accrued in or was derived from Kenya”.</i> We also note that, although the Third Schedule provides the WHT rates in respect of the deemed income referenced in Section 10(4) of the ITA, the said income is not included in the scope of WHT in section 35 of the ITA. As such, we expect challenges in the enforcement of the WHT regime for the income referenced in Section 10(4) of the ITA, and Section 10(1)(m) of the ITA, which has been introduced through the Finance Act, 2025.

Withholding Tax

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5	Withholding tax on freight charges to ship owners or charterers.	<ul style="list-style-type: none"> The Act amends Section 35(1) of the ITA by introducing subsection (1)(u) to bring payments of freight charges to non-resident ship owners and charterers within the ambit of withholding tax. The resident person or non-resident with a PE in Kenya who engages with non-resident ship owner will be required to withhold tax. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment shifts the tax burden on withholding tax to customers as opposed to ship owners who may lack local presence or agents. It is likely that this amendment will result into additional/ unnecessary administrative costs on both the KRA who must deal with multitude of customers (importers) and the importers themselves. We expect that the KRA will issue guidelines for better operationalization of this amendment.
6	Withholding tax on qualifying dividends and interest.	<ul style="list-style-type: none"> The Act amends Paragraphs 1 and 5 of the Third Schedule to clarify that WHT deducted from qualifying interest (paid to individuals) and qualifying dividends is a final tax. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This bridges the gap that was created upon repeal of Sections 34(1c), (d) and (f) through the Tax Laws (Amendment) Act, 2024. The repealed Section 34(1)(c) of the ITA shielded the interest income of individuals from further taxation as the withholding tax was deemed to be a final tax. With the repeal of this provision, there was uncertainty on whether individuals were subject to additional tax on interest income. The repealed Section 34(1)(d) and (f) of the ITA shielded dividend income received by a resident person from further tax as the withholding tax on qualifying dividend was deemed to a final tax. With its repeal, dividend income received by both individuals and companies was subject to further taxation. Whereas this amendment now brings clarity on taxation of qualifying interest and dividends, we are of the view that uncertainty remains on foreign dividends that be may be subject to income tax in Kenya at the corporate tax rate for companies and graduated income tax rates for individuals following repeal of Section 34 in the ITA in December 2024, and absence of an explicit provision in the Third Schedule to exclude foreign dividends from corporate and individual taxation.

Withholding Tax

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7	Repeal of the withholding tax in respect to sale of scrap	<ul style="list-style-type: none"> The Act amends Sections 35 of the ITA by deleting the requirement to withhold tax on sale of scrap to resident and non-resident persons. Withholding tax was applicable at the rate of 0.5% and 1.5% on payments to resident and non-resident persons, respectively. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment provides relief to traders of scrap. However, the amendment comes barely six months after the provision was introduced through the Tax Laws (Amendment) Act 2024 on 27 December 2024 which exposes the lack of stability of tax legislation as envisaged in the National Tax Policy.
8	Repeal of Section 35(6A), (6C) and (6E).	<ul style="list-style-type: none"> The Act has deleted Sections 35(6A), (6C) and (6E) of the ITA. Section 35(6A) provided the implications to a person appointed by the Commissioner to be a withholding tax agent on immovable property rent who fails to comply with the withholding tax obligation, Section 35(6C) covered the provisions relating to appeals for a withholding tax dispute, while Section 35(6E) covered the provisions relating to objections. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The deletion of the referenced subsections is aimed at cleaning up the ITA, as similar provisions are contained in the Tax Procedures Act.

Withholding Tax

The following proposals contained in the Finance Bill, 2025 were **dropped** prior to enactment of the Act

Dropped

#	Proposal	Details	Our comments
1.	Expansion of the definition of 'royalty' to include payments for distribution of software.	<ul style="list-style-type: none"> The Bill had proposed to expand the definition of the term royalty in Section 2 of the ITA to include payments for the distribution of software where regular payments are made for the use of the software through the distributor. 	<ul style="list-style-type: none"> Historically, software-related payments that did not grant intellectual property (IP) rights in the software to the payers were not subject to Withholding Tax ("WHT") in Kenya. Although the Kenya Revenue Authority (KRA) contested this practice, the above-mentioned practice aligned with the High Court's ruling in Seven Seas Technologies Limited v Commissioner of Domestic Taxes, Income Tax Appeal 8 of 2017, and adhered to international best practice. Therefore, the omission of this proposal aligns the local tax legislation to international tax norms, as outlined in Article 12 of the Organization for Economic Co-operation and Development's ("OECD") Model Tax Convention.



Digital Taxes

Digital Taxes

Enacted

#	Enacted change	Details	Our comments
1.	Significant economic presence tax.	<ul style="list-style-type: none"> The Act amends Section 12E of the ITA to expand the scope of significant economic presence tax (“SEPT”) to cover any income that is accrued in or is derived from Kenya by a non-resident through a business carried out over the internet or an electronic network including through a digital marketplace. Further, the Act has reversed the minimum annual turnover threshold for application of SEPT which was set at KES 5 million with effect from 27 December 2024 by the Tax Laws (Amendment) Act 2024. It also provides that the Cabinet Secretary shall make regulations to aid implementation of SEPT within 6 months from the date of commencement of the provision. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment seeks to align the tax base for SEPT with the parameters provided under the charging section, Section 3 (2) (ca) of the ITA whilst the repeal of the minimum threshold seeks to expand the tax net. From the drafting of the Act, it is not clear when the 6- month timeline for publication of regulations should commence. Whilst the wording implies that the period commenced as soon as SEPT provision was enacted into law on 27 December 2024, it may also be interpreted to mean that the period commences when the revision to Section 12E(6) of the ITA takes effect i.e. 1 July 2025. It is our view that the amendment as envisaged is likely to result into legal technicalities on applicability of regulations when published by the Cabinet Secretary.
2	Repeal of digital asset tax.	<ul style="list-style-type: none"> The Act has repealed Section 12F of the Income Tax Act which introduced digital asset tax on transfer or exchange of a digital asset with effect from 1 September 2023. Further, the Act has deleted Paragraph 13 of the ITA’s Third Schedule which provides the rate of tax on digital asset tax rate to be three percent. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The Finance Bill, 2025 had sought to reduce the digital asset tax rate from three percent to one point five percent but the Act has now repealed the tax altogether. The repeal offers relief for persons that transfer or exchange digital assets. Digital asset tax had the capacity to curtail crypto-currency trade and its use in Kenya.



Capital Gains Tax

Capital Gains Tax

Enacted

#	Enacted change	Details	Our comments
1.	CGT exemption on property transfers within a special economic zone.	<ul style="list-style-type: none"> The Act has deleted Paragraph 72 of the ITA's First Schedule, which provided for a CGT exemption on "<i>gains on transfer of property within a special economic zone enterprise, developer or operator</i>" and substituted it with a new Paragraph 72 that exempts CGT on gains on the transfer of property within a special economic zone (SEZ) by a licensed SEZ developer, enterprise or operator. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment remedies the drafting error in the law, which provided for CGT exemption on "<i>gains on transfer of property within a special economic zone enterprise, developer or operator</i>". The exemption covered transfers within an entity, which are generally not taxable, hence, the amendment.
2.	Transfer of property by an individual to a company where the individual, spouse and children hold 100% shares to be CGT exempt.	<ul style="list-style-type: none"> The Act amends Paragraph 6(2)(h)(v) of the ITA's Eighth Schedule to provide that there is no transfer for CGT purposes where assets are transferred by an individual to a company in which the individual, spouses or a spouse and immediate family hold 100% shareholding. The term "immediate family" is already defined to include children of spouses or former spouses. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The previous provision was mostly applicable in succession planning, as it only exempted transfers to a company where spouses or a spouse and immediate family (which means children of the spouse or former spouse) hold 100%. The amendment to include companies in which the transferor is the sole or one of the owners expands the applicability of the exemption beyond succession planning. The provision can now also be used in family business restructurings.

Capital Gains Tax

Enacted

#	Enacted change	Details	Our comments
3.	CGT exemption for securities traded on licensed securities exchanges extended to individuals.	<ul style="list-style-type: none"> The Act amends the First Schedule to the ITA to introduce a CGT exemption for any gains on transfers of securities traded on a licensed securities exchanges, such as the Nairobi Securities Exchange (NSE). Presently, this exemption exists under Paragraph 2, Head B of the Third Schedule, meaning that it only applies to companies. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Introducing this exemption into the First Schedule extends the exemption to all persons, including individuals. The previous exemption was specific to corporates, as it was captured in Paragraph 2 of Head B of the ITA's Third Schedule. This amendment may be geared towards encouraging investment in the NSE and spurring its growth.
4.	Limitation on the deductibility of capital losses arising from the disposal of assets subject to CGT.	<ul style="list-style-type: none"> The Act deletes Section 15(3)(f) of the ITA, which allowed transferors to deduct any capital losses arising from the disposal of assets subject to CGT under the Eighth Schedule to the ITA. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> It is our view that section 15(3)(f) of the ITA was ineffective as it made reference to paragraph 5(2) of the Eight Schedule which does not deal with computation of gains but provides for 'dealings by nominees, trustees and liquidators and for the enforcement of securities'. We note that Finance Act, 2025 should not have deleted the allowability of capital losses arising on disposal of assets but should have made reference to the correct provision of the Eight Schedule. The amendment could be interpreted to mean that either capital losses are no longer deductible for CGT purposes or the provisions of Section 15(4) and 15(5) of the ITA, which provide for utilisation of tax losses within 5 years, with possibility of an extension for a period beyond 5 years upon approval by the Cabinet Secretary. While we believe the latter should be the case, clarity is required on this matter.

Capital Gains Tax

Enacted

#	Enacted change	Details	Our comments
5	Definition of company for administration of CGT.	<p>The Act amends the Eighth Schedule to the ITA to delete the definition of a 'company' and replace it with a new definition.</p> <p><i>The deleted definition implies that a company ' includes:-</i></p> <p><i>(a) members' club deemed under section 21(1) to be carrying on a business;</i></p> <p><i>(b) a trade association that elects under section 21(2) to be deemed to carry on a business .</i></p> <p><i>The new definition indicates that a company ' includes a body of persons which carries on the activities of a member's club and a trade association that is deemed to be carrying on business under Section 21'</i></p>	<p>This amendment is occasioned by the overhaul of tax regime applicable to members club and trade associations through the Finance Act, 2023 and now aligns the Eighth Schedule to Section 21 of the ITA.</p>

Personal Income Tax



Personal Income Tax

#	Enacted change	Details	Our comments
1.	Increase of tax-exempt limit for per diems.	<ul style="list-style-type: none"> The Finance Act, 2025 amends Sections 5 (2) (a) (iii) of the Income Tax Act by increasing the threshold for tax exempt per diem from two thousand shillings per day to ten thousand shillings per day. 	<ul style="list-style-type: none"> This amendment is welcome given the tax-exempt threshold had remained unchanged for 19 years despite sustained inflation and evolving economic conditions.

Effective date: 1 July 2025

Personal Income Tax

#	Enacted change	Details	Our comments
2.	Requirement for employers to grant deductions, reliefs and exemptions on payroll.	<ul style="list-style-type: none"> The Act amends Section 37 of the Income Tax Act by introducing a subsection 1A which requires employers to grant employees applicable deductions, reliefs and exemptions before computing tax deductible. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment seeks to address the issue of individual tax refunds arising from employment income due to the inconsistent granting of applicable exemptions, deductions and tax reliefs to their employees through payroll by many employers. Although many employers already extend such benefits in practice, the absence of a legal requirement had led to disparities in implementation resulting in tax overpayments and refund claims by employees that could have been avoided. By codifying this requirement, the amendment aims to minimize such inconsistencies and may, over time, lead to greater accountability, with potential consequences for employers whose failure to apply the correct treatment results in avoidable refund claims. If properly implemented, this amendment will streamline PAYE administration by reducing the administrative and logistical burden on individual taxpayers of following up for tax refunds. Additionally, it will reduce KRA's burden and time lost on verification of tax overpayments filed by employees through self-assessment returns. Employers are therefore encouraged to develop and maintain a comprehensive checklist to ascertain any deductions, exemptions or reliefs that employees are entitled to. This can be maintained as a record to indemnify the employer against any future claims occasioned by the employees' failure to disclose relevant information.

Personal Income Tax

#	Enacted change	Details	Our comments
3.	All gratuity paid upon attainment of retirement age now exempt from income tax.	<ul style="list-style-type: none"> The Act amends Paragraph 53 of the First Schedule to the Income Tax Act by deleting subparagraph (a) which exempted payment of gratuity or other allowances paid under a public pension scheme from Income Tax and substituting it with the following subparagraphs: <ul style="list-style-type: none"> a) payment of gratuity aa) other allowances paid under a pension scheme; <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment seeks to remedy the discriminative taxation of gratuity paid under private schemes. By separating the previous subparagraph into two and deleting the word “public” before pension scheme, the legislation now grants tax exemption on gratuity and other allowances under pension schemes, regardless of whether it is public or private. This marks a shift towards a more inclusive tax framework for retirement related payments.
4.	Individual income tax rates not applicable to fringe benefits and qualifying interest.	<ul style="list-style-type: none"> The Act amends Head B of the Third Schedule to the Income Tax Act to specify that the total income comprising fringe benefits and the qualifying interest is not subject to the individual income rates of tax. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Fringe Benefits Tax (FBT) as defined under Section 12B of ITA arises with respect to loans granted by an employer at an interest rate lower than the prevailing market rate. FBT is payable by the employer at the corporate income tax rate. Conversely, qualifying interest is taxed through withholding tax, which constitutes a final tax on the recipient. This amendment reinforces the principle that such income, having already been taxed at source or through final tax mechanisms, should not be subject to additional individual income tax liability. However, given the amendment has not explicitly excluded dividends from being subject to the individual income tax rates, it implies that foreign dividends earned by individuals may now be subject to tax at the graduated income tax rates.

Personal Income Tax

#	Enacted change	Details	Our comments
5.	Amendment of definition of individual retirement fund.	<ul style="list-style-type: none"> The Act amends the definition of individual retirement fund by removing the requirement to have the fund subject to the Income Tax (Retirement Benefit) Rules. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment is part of the government's effort to further simplify the definition of the individual retirement fund by removing the hurdles for contributors to be eligible for tax deductibility. This comes after the first round of amendments that removed the requirement to have the fund registered by the Kenya Revenue Authority for contributors to be eligible for tax deduction. This was done through the Tax Laws (Amendment) Act that came into effect on 27 December 2024. This will ease access of tax deduction to individuals who are not in employment and therefore not in an occupational or employer-run scheme.
6.	Repeal of provisions on tax exemption limits for pension withdrawals.	<ul style="list-style-type: none"> The Act repeals subsections 4,5,6,7,9 and 9A of Section 8 of the ITA which stipulate the tax-exempt threshold for withdrawals from pension and provident funds as well as home ownership savings plans. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This repeal follows the substantive amendments introduced under the Tax Laws (Amendment) Act, 2024, where withdrawals from registered pension funds, provident funds, and individual retirement funds are exempt from tax provided the individual has attained retirement age, has been a member of the fund for at least 20 years, or makes an early withdrawal due to ill health. This repeal implies that going forward, any pension withdrawals by an individual who does not meet any of the aforementioned conditions for exemption will be taxed in full. This will incentivize a savings culture. However, it may turn out to be punitive in cases where withdrawals are necessitated by unfortunate events such as job loss.

Personal Income Tax

#	Enacted change	Details	Our comments
7.	Repeal of the partial tax exemption of the employment income of regional employees.	<ul style="list-style-type: none"> The Act repeals Section 15 (2) (r) of the ITA which allows a deduction of one-third of the employment income of individuals who are not citizens of Kenya and who are in Kenya solely for performance of their duties in relation to the employer's regional office. Other conditions to qualify for this deduction include: <ul style="list-style-type: none"> The regional office has been approved as such by the Commissioner Employer is a non-resident company or partnership trading for profit The individual is absent from Kenya for 120 days or more in that year of income The individual's employment costs are not deductible in ascertaining the taxable income of his employer or any company or partnership which controls or is controlled by the employer <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The repeal is potentially informed by low uptake of this benefit considering the stringent conditions to qualify for the deduction. In addition, it may also reflect the government's broader policy shift towards rationalizing tax incentives and streamlining exemptions, particularly where similar reliefs are already accommodated under other provisions of the Income Tax Act.

Value Added Tax

A close-up photograph of a person's hands using a calculator on a desk. The person is wearing a white shirt. The desk is cluttered with various items: a pen, a small house-shaped object made of cardboard, and several sheets of paper with charts and graphs. The lighting is warm and focused on the hands and the calculator.

Value Added Tax

#	Amendment	Details	Our comments
1.	Definition of a tax invoice.	<ul style="list-style-type: none"> The Act has amended Section 2 of the Value Added Tax Act 2013 (“VAT Act”) and introduced a definition for a “tax invoice”. “Tax invoice” has been defined to include an electronic tax invoice issued in accordance with Section 23A of the Tax Procedures Act (“TPA”). <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The Finance Act, 2023 introduced Section 23A in the TPA, to empower the Commissioner to establish an electronic system for the issuance of electronic tax invoices. Further, it requires taxpayers carrying on a business in Kenya to issue electronic tax invoices through this system and maintain records of stocks in the system. Consequently, the KRA implemented the Electronic Tax Invoice Management System (ETIMS). The Act clarifies that the definition of a ‘tax invoice’ in the VAT Act includes a tax invoice referenced under Section 23A of the TPA.
2.	Clarification on place of supply for services provided by non-residents.	<ul style="list-style-type: none"> The Act has amended Section 8(2) of the VAT Act by introducing the word “and” at the end of the opening sentence which will read as follows – <ul style="list-style-type: none"> <i>(2) If the place of business of the supplier is not in Kenya, the supply of services shall be deemed to be made in Kenya if the recipient of the supply is a registered or unregistered person and—</i> <ul style="list-style-type: none"> <i>(a) the services are physically performed in Kenya by a person who is in Kenya at the time of supply...</i> <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment provides clarity on the conditions to be met in order to determine whether the supply of services by non-residents should be deemed to be made in Kenya.

Value Added Tax

#	Amendment	Details	Our comments
3.	Introduction of internet, radio and television broadcasting services within the ambit of electronic services.	<ul style="list-style-type: none"> The Act has amended Section 8(2) of the VAT Act by deleting paragraph (c) which provides that <i>if the place of business of a supplier is not in Kenya, the supply of services are deemed to be made in Kenya if the recipient of the supply is a registered or unregistered person and the services are radio or television broadcasting services received at an address in Kenya.</i> The Act has also amended Section 8(3) of the VAT Act by deleting the words ‘broadcast television’ in paragraph (g) and substituting the words with ‘internet, radio or television broadcasting services’. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Previously, Section 8(3)(g) of the VAT Act provided that <i>political, cultural, artistic, sporting, scientific and other broadcasts and events including broadcast television</i> are electronic services to the extent that they are provided through a telecommunication network. The amendments aims to expand the scope of VAT on digital marketplace supplies to include <i>internet, radio or television broadcasting services</i> within the scope of VAT on digital marketplace supplies which is taxable under the simplified tax registration framework provided for in the Value Added Tax (Electronic, Internet and Digital Marketplace Supply) Regulations, 2023.
4.	Timelines for application of VAT refunds.	<ul style="list-style-type: none"> The Act has reduced the timeline for lodging VAT refunds under Section 17(5)(d) from 24 months to 12 months. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The change aligns with the TPA with respect to refund application guidelines. The Tax Laws Amendment Act 2024 (“TLAA, 2024”) amended Section 47 of the TPA by limiting the timeframe for refund applications in respect of all taxes, save for income tax, to within twelve months from the date of overpayment. The timeframe for income tax was retained at five years.

Value Added Tax

#	Amendment	Details	Our comments
5.	Refund of excess credits arising from supplies made to official aid funded projects.	<ul style="list-style-type: none"> The Act has amended Section 17(5) of the VAT Act by deleting paragraph (e) which allowed registered manufacturers to apply for a refund of excess input tax with respect to taxable supplies made to an official aid funded project. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The TLAA, 2024 deleted Section 17(8) which allowed VAT registered manufacturers who made taxable supplies to approved official aid funded projects that are exempt from VAT to take a deduction of input tax incurred in the process of providing the supplies. Consequently, the provision that allowed a refund of excess input tax with respect to taxable supplies made to an official aid funded project became obsolete. The removal of this VAT refund provision aligns with the change introduced by the TLAA, 2024.
6.	Refund of VAT credits arising from a taxable supply becoming zero rated.	<ul style="list-style-type: none"> The Act has amended Section 17(5) of the VAT Act by deleting paragraph (ea) and replacing it with the following new paragraph: <i>(ea) such excess credit in respect of a taxable supply that became zero rated on 1st July, 2023:</i> <i>Provided that a registered person who incurred excess credit shall apply to the Commissioner for a refund within six months from the date of commencement of this provision.</i> <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The TLAA, 2024 introduced Section 17 (5) (ea) of the VAT Act allowing taxpayers to apply for a refund of historical VAT credits arising from a permanent credit position due to a change in the VAT status of supplies – specifically where the VAT rate applicable on 01 July 2022 was reduced, or the supplies became zero-rated or exempt. The new amendment allows for refunds of excess input VAT related to taxable supplies that became zero-rated on 01 July 2023. Affected taxpayers should promptly apply for the refund of the VAT credits pursuant to this change since the benefit is only valid for six months from the commencement of this Act. However, the provision is not clear on whether taxpayers can apply for historical VAT credits prior 01 July 2023. This ambiguity may result in potential disputes that may arise from varying interpretations by the Kenya Revenue Authority (KRA) and taxpayers.

Value Added Tax

#	Amendment	Details	Our comments
7.	Change in timeline in which a taxpayer may apply for a refund of VAT paid on bad debts.	<ul style="list-style-type: none"> The Act has amended Section 31(1)(a) of the VAT Act by changing the statutory timeline within which one may apply for a refund of VAT paid on bad debts from three years to two years. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Previously, the VAT Act allowed taxpayers to apply for a refund of VAT paid on bad debts where the debt remains unpaid for a period of 3 years from the date of supply, provided that the refund application was made within 10 years. The amendment is a welcome move as it reduces the time within which a taxpayer may apply for a refund of VAT paid on bad debts from 3 years to 2 years.
8.	Application of approved refund of VAT on bad debts.	<ul style="list-style-type: none"> The Act has amended Section 31(1) of the VAT Act in the proviso by introducing paragraph (ca) which states that <i>'the amount may be used to offset any other value added tax liability, upon approval by the Commissioner'</i>. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Paragraph (c) provides that a refund of VAT on bad debts may be credited to the taxpayer's record for use against <i>future VAT liabilities</i>. The new proviso expands the utilisation of refund of VAT paid on bad debts by allowing taxpayers to offset such amounts against any other VAT liability arising from the past, current or future liabilities.
9.	Clarification on timeline for remitting recovery of previously refunded VAT on bad debts to the Commissioner.	<ul style="list-style-type: none"> The Act has amended Section 31(1) of the VAT Act in the proviso by deleting paragraph (d) and (e). Specifically, paragraphs (d) and (e) of the proviso stated that: <ul style="list-style-type: none"> d) <i>where the tax refunded under sub-section (1) and (2) is subsequently recovered from the recipient of the supply, the registered person shall refund the tax to the Commissioner with sixty days of the date of recovery;</i> e) <i>if the payment is made within the time specified under subsection (1) and (2), an interest of two per cent per month or part thereof of the tax refunded shall forthwith be due and payable and the interest shall not exceed one hundred per cent of the refunded amount.</i> <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The VAT Act had two contradicting provisions on the timeline for paying back the Commissioner the refunds received once the debt is recovered from customer. Section 31(1)(d) provided a 60-days timeline while Section 31(2) provides a 30-days timeline. The amendment clarifies that the timeline for remitting recovery of previously refunded VAT on bad debts to the Commissioner is 30 days. Paragraph (e) of the proviso was ambiguous as it was penalizing taxpayers for paying back the Commissioner the refunded amount within the required timelines. Its deletion is a clean-up of the VAT Act.

Value Added Tax

#	Amendment	Details	Our comments
10.	Requirement to issue tax invoices for all supplies.	<ul style="list-style-type: none"> The Act has amended Section 42(1) by deleting the word ‘taxable’. Previously, Section 42(1) provided that – <i>“(1) Subject to subsection (2), a registered person who makes a taxable supply shall, at the time of the supply furnish the purchaser with the tax invoice containing the prescribed details for the supply...”</i> <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The Finance Act 2023 introduced Section 23A in the TPA, to empower the Commissioner to establish an electronic system for the issuance of electronic tax invoices. Further, it requires taxpayers carrying on a business in Kenya to issue electronic tax invoices through the above-mentioned system and maintain records of stocks in the system. The amendment aligns with Section 23A of the TPA and clarifies that taxpayers should issue tax invoices for all supplies, irrespective of the VAT status of their supplies.
11.	Liability to pay tax for exempt and zero-rated supplies.	<ul style="list-style-type: none"> The Act has introduced Section 66A of the VAT Act which states that – <i>“66A. Where a person imports or purchases goods or services which are exempt or zero-rated and the person subsequently disposes of, or uses, the goods or services supplied in a manner inconsistent with the purpose for which the goods or services were exempted or zero rated, the person shall be liable to pay tax on the goods or services at the applicable rate at the time of disposal or inconsistent use.”</i> <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The new amendment aims to prevent tax avoidance in cases where tax exempt or zero-rated goods or services are purchased based on their intended use but are subsequently not utilized for the specific purpose that justified the VAT preferential treatment. Therefore, where a person imports or purchases goods or services that are tax exempt or zero-rated, but later disposes of or utilises them in a way that is not aligned with the intended purpose, the person will be liable to pay VAT on the goods or services at the time of disposal or inconsistent use. Some entities currently benefit from VAT exemptions and zero-rating e.g., companies in Special Economic Zones (SEZ) and Export Processing Zones (EPZ). However, there are no provisions to recover tax when these benefits are misused. To mitigate against this and safeguard revenue, the new amendment seeks to recover VAT where exempted or zero-rated goods or services are used for purposes other than those intended.

Value Added Tax

#	Amendment	Details	Our comments
12.	Amendments to Part I of the First Schedule to the VAT Act.	<ul style="list-style-type: none"> The Act has introduced tariff number 3006.93.00 and the corresponding tariff description into the table appearing immediately after paragraph 39. The tariff number covers <i>placebos and blinded (or double-blinded) clinical trial kits for a recognised clinical trial, put up in measured doses</i>. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment will result in a reduction of cost in clinical trials. This measure will also encourage Kenya's pharmaceutical industry players to invest in the research and development of new treatments.
		<ul style="list-style-type: none"> The Act has amended Paragraph 51 which exempts taxable goods, imported or purchased for direct and exclusive use in the implementation of official aid funded projects upon approval by the Cabinet Secretary responsible for the National Treasury. The Act has inserted the words "excluding fuels, lubricants and tyres for vehicles" immediately after the words "funded project". <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The change indicates that fuels, lubricants and tyres for vehicles imported or purchased for direct and exclusive use in implementation of official aid funded projects will be subject to VAT at 16%.

Value Added Tax

#	Amendment	Details	Our comments
12.	Amendments to Part I of the First Schedule to the VAT Act...cont'd.	<ul style="list-style-type: none"> The Act has deleted paragraph 101 which exempt alcoholic or non-alcoholic beverages supplied to the Defence Forces Welfare Services and substituted it with a new paragraph. The new paragraph exempts all goods imported or purchased locally by the Defence Forces Welfare Services. The Act has also introduced paragraph 37 and 38 in Part II of the First Schedule to the VAT Act which exempt the following – <ul style="list-style-type: none"> Accommodation, restaurant, beauty salon and laundry services provided by the Defence Forces Welfare Services. Taxable services for direct and exclusive use of the Defence Forces Welfare Services. <p>Effective date: 1 July 2025</p> <ul style="list-style-type: none"> The Act has deleted Paragraph 112 which exempts taxable goods, excluding motor vehicles, imported or purchased for direct and exclusive use in geothermal, oil or mining prospecting or exploration by a company granted a prospecting or exploration license in accordance with the Energy Act, 2019, production sharing contracts in accordance with the Petroleum Act, 2019, or a mining license in accordance with the Mining Act, 2016, upon recommendation by the Cabinet Secretary responsible for matters relating to energy, the Cabinet Secretary responsible for matters relating to petroleum, or the Cabinet Secretary responsible for matters relating to mining, as the case may be. However, the Act has provided a transition period for an exemption that had been approved before the deletion came into effect to continue to apply until the 30th June 2026. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> These exemptions aim to reduce the cost of goods and services supplied to Kenya Defence Forces (KDF) personnel. We note that all goods supplied to KDF welfare services are also exempt under Paragraph 57 of Part I of the First Schedule to the VAT Act. <hr/> <ul style="list-style-type: none"> The amendment means that items under the deleted Paragraph are now subject to VAT at 16%. The cost of geothermal, oil or mining prospecting or exploration is capital intensive. Thus, the removal of this exemption may discourage investors in Kenya's extractive sector.

Value Added Tax

#	Amendment	Details	Our comments
12.	Amendments to Part I of the First Schedule to the VAT Act...cont'd.	<ul style="list-style-type: none"> The Act has deleted Paragraph 128 which exempts discs, tapes, solid-state non-volatile storage devices, "smartcards" and other media for the recording of sound or of other phenomena, whether or not recorded of tariff heading 85.23, including matrices and masters for the production of discs, but excluding products of Chapter 37 upon approval by the Cabinet Secretary responsible for matters relating to health. However, the Act has provided a transition period for an exemption that had been approved before the deletion came into effect to continue to apply until the 30th June 2026. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment means that items under the deleted Paragraph are now subject to VAT at 16%.
		<ul style="list-style-type: none"> The Act has amended the proviso to paragraph 146 which exempts such capital goods the exemption of which the Cabinet Secretary may determine to promote investment in the manufacturing sector. The Act has deleted the words "and the exemption was granted before 1st January 2024 and shall continue to apply for twelve months after this date" and substituted therefor with the words "the exemption was granted before 27th December 2024, and the exemption shall only continue to apply until 27th December 2025." <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The change means that only exemptions granted by the Cabinet Secretary before 27 December 2024 will continue to apply for a period of 12 months and lapse on 27 December 2025. Any application for exemption granted after 27 December 2024 will not be applicable upon commencement of this Act. The amendment aims to correct a drafting error in the TLAA, 2024 (w.e.f 27 December 2024) which provided a retroactive transition period of 12 months from 01 January 2024. The change disincentives investors from making capital investments in Kenya as there will be an additional cost resulting to VAT charged at 16% on the supply of capital goods after the exemption lapses.

Value Added Tax

#	Amendment	Details	Our comments
12.	Amendments to Part I of the First Schedule to the VAT Act...cont'd.	<ul style="list-style-type: none"> The Act has deleted paragraph 154 which exempt taxable goods of Chapter 5407 and Chapter 6309 imported as raw materials for manufacture of textile products in Kenya upon recommendation of the Cabinet Secretary responsible for investments, trade and industry <p>Effective date: 1 July 2025</p> <ul style="list-style-type: none"> The Act has introduced Paragraph 155 and 156 which exempts the following – <ul style="list-style-type: none"> Mosquito repellents. Inputs, machinery and raw materials used in the manufacture of mosquito repellent on recommendation by the Cabinet Secretary responsible for matters relating to health. <i>The Act has also introduced paragraph 36 in Part II of the First Schedule to the VAT Act which exempts taxable services supplied to manufacturers of mosquito repellents upon recommendation by the Cabinet Secretary responsible for matters relating to health.</i> <p>Effective date: 1 July 2025</p> <ul style="list-style-type: none"> The Act has introduced paragraph 157 which exempts the supply of locally consumed teas. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment subjects the items under the deleted paragraph to VAT at 16%. These changes encourage investors or manufacturers of mosquito repellents to invest in the health sector specifically in the manufacture and supply of mosquito repellents and also exempts VAT on the taxable services supplied to manufacturers of mosquito repellents. This is in line with Government efforts to reduce the prevalence of Malaria in Kenya. The measure will reduce the cost of locally consumed teas.

Value Added Tax

#	Amendment	Details	Our comments
13.	Amendments to Part A of the Second Schedule to the VAT Act.	<ul style="list-style-type: none"> The Act has introduced paragraph 36 which zero-rates packaging materials for tea and coffee upon recommendation by the Cabinet Secretary for matters relating to agriculture. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The measure reduces the cost of packaging materials used in packing tea and coffee thus reducing the costs of tea and coffee.

A photograph of a shopping cart in a grocery store aisle. The cart is in the foreground, slightly out of focus, with a green handle and a red cap. The background shows shelves stocked with various products, also blurred. A white text box with a green border is overlaid on the left side of the image.

Excise Duty

Excise Duty

#	Amendment	Details	Our comments
1.	Amendment of the definition of a digital lender.	<ul style="list-style-type: none"> The Act amends the definition of a digital lender under Section 2 of the Excise Duty Act, 2015 (EDA) to mean a person extending credit through an electronic medium but does not include a bank licensed the Banking Act, a sacco society registered under the Co-operative Societies Act or a microfinance institution licensed under the Microfinance Act. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The EDA as amended by the Tax Laws (Amendment) Act 2024 (TLAA) defines a digital lender as a person holding a valid digital credit providers licence issued by the Central Bank of Kenya (CBK). However, the Business (Laws) Amendment Act, 2024 replaced reference to digital credit providers in the CBK Act with non deposit taking credit providers rendering the definition of digital lenders in the EDA irrelevant. In our view, the amendment is aimed at correcting the error in the initial definition and aligning the definition of digital lenders to the ordinary definition. Additionally, the new definition seeks to provide clarity that digital lenders who fall within the scope of financial institutions under the EDA will not be considered as digital lenders for excise duty purposes.
2.	Definition of digital marketplace.	<ul style="list-style-type: none"> The Act defines a digital marketplace under Section 2 of the EDA to mean an online platform which enables users to sell goods or provide services to other users. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The Act brings into the ambit of excise duty excisable services provided by non-residents through a digital marketplace. The definition is aimed at providing clarity on the scope of these services.

Excise Duty

#	Amendment	Details	Our comments
3.	Definition of micro-distiller and compliance requirements.	<ul style="list-style-type: none"> The Act has introduced the definition of a micro distiller under Section 2 of the EDA to mean 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. The Act further provides that licensed micro distillers shall be exempt from the requirement for automation, continuous piping, and the use of mass flow meters as set out under Section 25 of the EDA. Additionally, the production volume of such micro distillers shall be ascertained and monitored through the use of excise stamps or other mechanisms as the Commissioner may prescribe by notice in the Gazette. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment is geared towards legally distinguishing small-scale spirit manufacturers from large commercial producers under the Excise Duty framework. Previously, all spirit manufacturers were subject to the same compliance requirements, which often created a regulatory burden for small producers, resulting in non-compliance. By defining micro-distillers and exempting them from automation and mass flow meter requirements, the amendment seeks to encourage formalization of small producers by easing compliance obligations. At the same time, the use of excise stamps and other prescribed mechanisms ensures the Government can monitor production and safeguard excise revenue while supporting broader efforts to curb illicit alcohol production.
4.	Clarification on tariff classification of excisable goods.	<ul style="list-style-type: none"> The Act has amended Section 2 of the EDA to clarify that excisable goods in the EDA will be classified in accordance with the East African Community Common External Tariff (EACCET). <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The EDA refers to some excisable goods based on their tariff codes to ensure clarity and uniformity in interpretation of the law. Whereas the EDA does not expressly refer to the EACCET, it is inferred that the tariff codes are those set out in the EACCET. Goods imported into Kenya are classified in accordance with the EACCET as provided for under Annex 1 to the East African Community Customs Union Protocol. Further, classification of goods in the EACCET is governed by the General Rules of Interpretation (GIR) as set out in the appropriate order. The amendment is geared towards providing clarity on the basis of tariff classification of excisable goods.

Excise Duty

#	Amendment	Details	Our comments
6.	Amendment of scope of excisable services offered by non-residents.	<ul style="list-style-type: none"> The Act amends Section 5(1)(d) of the EDA to read as follows: <i>excisable services offered in Kenya by a non-resident person over the internet, an electronic network or through a digital marketplace.</i> Section 5(d) previously provided for charging of excise duty on excisable services provided by non-residents in Kenya through a digital platform. The Act further defines a non-resident to mean a person outside Kenya. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment aims at broadening the scope of excisable services provided by non-residents to include other forms of delivering services such as over the internet, electronic network or through a digital marketplace. The amendment aligns with existing tax provisions on digital services and enhances consistency across tax statutes.
7.	Place of supply of excisable services.	<ul style="list-style-type: none"> The Act amends Section 13 of the EDA on the place of supply of excisable services by introducing the following paragraph: <ul style="list-style-type: none"> <i>If the place of business of the supplier is outside Kenya, the supply of the services shall be deemed to be made in Kenya if the services are consumed by a person in Kenya through the internet, an electronic network or a digital marketplace.</i> <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Section 5 (b) of the EDA provides for excise duty on excisable services supplied in Kenya. Further, Section 13 of the EDA clarifies that services are deemed to be made in Kenya if they are supplied from a place of business of the supplier in Kenya. Following the introduction of excise duty on excisable services offered in Kenya by non-residents under Section 5(d) of the EDA, the amendment is seeking to clarify when services will be deemed to be made in Kenya when provided from a place of business outside Kenya.
8.	Expansion of the scope of activities requiring an excise duty licence.	<ul style="list-style-type: none"> The Act has amended Section 15 of the EDA on the activities requiring an excise duty license to include: <ul style="list-style-type: none"> <i>a) the importation, distribution, or handling of methanol in Kenya</i> <i>b) the importation, distribution, or handling of ethanol in Kenya;</i> <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment is geared towards enhancing regulatory control over methanol and ethanol due to their widespread misuse in the manufacture of illicit alcoholic beverages. By requiring that importers, distributors and handlers of ethanol and methanol are licensed, the amendment aims to combat unsafe alcohol consumption, safeguard revenue, and enhance public health safety.

Excise Duty

#	Amendment	Details	Our comments
9.	Timeline for issuing excise duty license.	<ul style="list-style-type: none"> The Act amends Section 17(1) of the EDA to establish a 14-day period for the Commissioner to review and reply to an application for an excise duty licence, following the receipt of all necessary valid documents. Currently, the EDA does not provide for timelines for the Commissioner to respond to an application for an excise duty license. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment is aimed at providing certainty in processing of excise duty licenses and is expected to enhance efficiency in the processing and issuance of licenses.
10.	Removal of excise duty on various excisable goods.	<ul style="list-style-type: none"> The Act has removed excise duty on the following goods: <ul style="list-style-type: none"> Imported eggs of tariff heading 04.07 Imported onions of tariff heading 07.03 Imported potatoes, potato crisps and potato chips of tariff heading 07.01 <hr/> <ul style="list-style-type: none"> Coal 	<ul style="list-style-type: none"> The amendment repeals excise duty on imported eggs, onions and potatoes which was previously introduced to protect local farmers from cheap imports particularly from neighbouring countries. The imposition of excise duty on products imported from the EAC discriminates against these products in contravention of Article 15 of the EAC Customs Union protocol on national treatment. The amendment to remove excise duty on these products will ensure Kenya complies with Article 15 and promote trade within the EAC. In addition, the removal of excise duty on these agricultural products is aimed at reducing their cost, thereby making them more affordable. <hr/> <ul style="list-style-type: none"> The TLAA introduced excise duty on coal as part of the government's measure to raise revenue and support environmental objectives. However, this has been criticized for increasing energy costs for manufacturers and businesses that rely heavily on coal as an industrial input. The removal of excise duty on coal is therefore aimed at reducing the cost of production for energy-intensive industries, enhancing the competitiveness of locally manufactured goods, and supporting economic growth.

Excise Duty

#	Amendment	Details	Our comments
10.	Removal of excise duty on various excisable goods.	<ul style="list-style-type: none"> - Cosmetics and Beauty products of tariff heading No. 3303, 3304, 3305 and 3307” - Locally manufactured articles of plastic of tariff heading 3923.30.00 <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> • The removal of excise duty on cosmetics is expected to reduce the cost of cosmetics, increase their affordability and ultimately boost growth of the sub sector. • The EDA previously provided for excise duty on articles of plastics of tariff code 3923.30.00 which was aimed at discouraging the use of plastics in line with the Government’s environment protection goals. However, charging of excise duty on plastic bottles increases the cost of plastic bottles which are used for packaging manufactured goods in Kenya. • The removal of excise duty on locally manufactured plastic bottles is therefore aimed at reducing the cost of manufacturing goods in Kenya. Further, this change will, in our view, protect local manufacturers of plastic bottles since imported plastic bottles will continue attracting excise duty.
11.	Changes in excise duty tax base of imported float glass of tariff 7005.	<ul style="list-style-type: none"> • The Act has amended the basis of computing excise duty on imported float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked of tariff 7005 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin from customs value to excisable value. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> • In our view, the amendment is aimed at aligning the taxable value applied on imported float glass with the taxable value applied on other excisable goods. • The taxable value for imported goods is customs value plus import duty while the taxable value for locally manufactured goods is the price payable excluding the cost of returnable bottles and VAT.

Excise Duty

#	Amendment	Details	Our comments
12.	Changes in the specific excise duty rate (unit-based) on various goods.	<ul style="list-style-type: none"> • The Act has amended the excise duty rates on various products as follows; <ol style="list-style-type: none"> a) Imported paper or paper board, labels of all kinds whether or not printed of tariff heading 4821.10.00 and 4821.90.00 from 25% or KES 150 per kilogramme, whichever is higher to 25% or KES 200 per kilogramme, whichever is higher b) 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 skilllets, free-hinge lid packets of tariff heading 4819.10.00, 4819.20.10 and 4819.20.90 from 25% or KES 150 per kilogramme, whichever is higher to 25% or KES 200 per kilogramme whichever is higher c) Imported glass bottles (excluding imported glass bottles for packaging of pharmaceutical products) from 35% to 35% or KES 40 per kg whichever is higher <ul style="list-style-type: none"> • <i>The above items exclude those originating from the East African Community Partner States that meet the East African Community Rules of Origin.</i> <ol style="list-style-type: none"> d) Imported ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics of tariff 6907 from 5% of custom value or KES. 200 per square meter to 5% or KES 300 per square metre whichever is higher <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> • The Act has increased the specific rates of the aforementioned paper, glass and ceramic articles to further increase the cost of importing these products in a bid to further cushion locally manufactured products from cheap imports as well as enhancing revenue collection.

Excise Duty

#	Amendment	Details	Our comments
13.	Amendment of excise duty on printed paper, paperboard products and imported self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes of plastics.	<ul style="list-style-type: none"> The Act has deleted the description “<i>imported 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, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</i>” and replaced with the following descriptions; <ol style="list-style-type: none"> 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 Imported printed polymers of ethylene of other plates, sheets, film, foil and strip of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.10.90. Imported printed polymers of vinyl chloride containing by weight not less than 6% of other plates, sheets, film, foil, strip of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.43.90. Imported printed poly (ethylene terephthalate) of polycarbonates, alkyd resins, polyallyl esters or other polyesters of other plates, sheets, film, foil, strip of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.62.90. Imported printed cellular of other plastics of other plates, sheets, film, foil and strip of tariff number 3921.19.90. <ul style="list-style-type: none"> The above items exclude those originating from the East African Community Partner States that meet the East African Community Rules of Origin. The excise duty rate for the above items is 25% of the excisable value or KES 200 per Kilogramme whichever is higher. 	<ul style="list-style-type: none"> This amendment is aimed at cleaning up the First Schedule of the EDA to correct duplicated provisions introduced by the TLAA. The amendment also aims at providing more specific descriptions of items subject to excise duty in accordance with the EACCET descriptions.
		Effective date: 1 July 2025	

Excise Duty

#	Amendment	Details	Our comments
14.	Amendment of excise duty on printed paper, paperboard products and imported self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes of plastics	<ul style="list-style-type: none"> Clause 46(v) of the Act has amended the First Schedule of the EDA by deleting “<i>Printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin</i> and replacing with the following items: <ul style="list-style-type: none"> a) <i>Printed self-adhesive paper of tariff number 4811.41.90</i> b) <i>Gummed paper and paperboard of tariff number 4811.49.00</i> The above items excludes those originating from East African Community Partner States that meet the East African Community Rules of Origin. The excise duty rate for the above items is 25% of the excisable value or KES 200 per Kilogramme whichever is higher. Additionally, Clause 46(ix) of the Act has also deleted a duplicate description in the First Schedule with a different excise duty rate and replaced it with imported printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment seeks to correct what appears to be a drafting error in the EDA introduced by the TLAA, which resulted in duplicate descriptions with different rates. The duplication created confusion amongst taxpayers on which excise duty rate to use on the aforementioned products. However, the Act appears to have amended the duplicated Paragraphs in First Schedule of the EDA by imposing excise on both locally manufactured and imported self adhesive or gummed paper on one hand and only imported self adhesive and gummed paper on the other hand, This appears to be another drafting error. It is therefore not clear whether locally manufactured self adhesive and gummed paper will be subject to excise.
15.	Change in excise duty rate of neutral alcohol of alcoholic strength exceeding 90%	<ul style="list-style-type: none"> The Act has amended the excise duty rate of spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spiritous beverages from KES 10 per centilitre of pure alcohol to KES 500 per Litre <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Extra neutral spirit is a key raw material in the manufacture of spiritous beverages. The TLAA increased the excise duty rate on extra neutral spirit from KES 356 per litre to KES 10 per centilitre of pure alcohol (.i.e KES 900 per litre for spirits with 90% alcohol strength) significantly increasing the operational costs- for manufacturers of spirits. The amendment is aimed at reducing the excise duty rate to KES 500 per litre in a bid to reduce the cost of procuring neutral spirits by local manufacturers of spiritous beverages.

Excise Duty


#	Amendment	Details	Our comments
16.	Introduction of excise duty on various products.	<ul style="list-style-type: none"> • The Act has introduced excise duty on various products as outlined below: <ol style="list-style-type: none"> a) Imported tea whether or not flavored at 25%. b) Imported uncoated kraft paper and paperboard in rolls or sheets; kraft liner; unbleached of tariff number 4804.11.00 at 25% or KES 50 per kilogramme, whichever is higher. c) Imported other kraft paper or paperboard weighing 150g/m² or less, in rolls or sheets; unbleached of tariff number 4804.31.00 at 25% or KES 50 per kilogramme, whichever is higher d) Imported other kraft paper or paperboard weighing more than 150g/m² but less than 225g/m², in rolls or sheets; unbleached of tariff number 4804.41.00 at 25% or KES 50 per kilogramme, whichever is higher e) Imported other kraft paper or paperboard weighing 225 g/m² or more others in rolls or sheets; unbleached of tariff number 4804.51.00 at 25% or KES 50 per kilogramme, whichever is higher f) 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 at 35% or KES 500 per square metre, whichever is higher g) Imported safety glass of tariff numbers 7007.19.00 and 7007.29.00 at 35% or KES 500 per square metre, whichever is higher h) Imported multiple-walled insulating units of glass of Tariff Heading 70.08 at 35% or KES 500 per square metre, whichever is higher • <i>The above items excludes those originating from East African Community Partner States that meet the East African Community Rules of Origin.</i> <ol style="list-style-type: none"> i) Imported fully built and semi-built direct air capture machines at 25% j) Imported aluminum profiles, fabricated doors and fabricated windows of Tariff Heading 76.04,7608.20 and 7610.10 at 25% or KES 400 per kilogramme, whichever is higher. k) Non-refillable lighters of tariff number 9613.10.00 at 25% or KES 500 per kilogramme 	<ul style="list-style-type: none"> • The introduction of excise duty on these products is aimed at promoting local industries by increasing the cost of the imported products and cushioning local manufacturers from competition from cheaper imported products. • The introduction of excise duty on non-refillable lighters is aimed at encouraging the use of more environment friendly alternatives such as refillable lighters or biodegradable options like matchsticks. This measure aligns with the government's objective of reducing environmental pollution by discouraging the use of non-recyclable products.
<p>Effective date: 1st July 2025</p>			

Excise Duty

#	Amendment	Details	Our comments
17.	Change in the tax base for excise duty on betting(excluding horse racing and gaming.	<ul style="list-style-type: none"> The Act has amended the tax base for excise duty on betting and gaming (excluding horse racing) from the amount wagered or staked to the amount deposited into a customer’s betting wallet. The Act further defines the amount deposited into a customer’s betting wallet to mean the amount of money transferred by a customer into the customer wallet maintained by a licensed betting and gaming operator for betting and gaming purposes. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The change in the tax base from the amount wagered to the amount deposited into a customer’s betting wallet will mean that excise duty will be charged on funds intended for betting as opposed to charging excise duty on the betting transaction. In the event that funds deposited in a customer`s wallet are not wagered, excise duty will still be applicable. On the flipside, this measure implies that incase of a win, subsequent betting transactions using the same funds will not be subject to excise duty.
18.	Reduction of excise duty rate on betting (excluding horse racing), gaming, price competition and lottery (excluding charitable lotteries) Services.	<ul style="list-style-type: none"> The Act has reduced the excise duty rate on betting (excluding horse racing), gaming, price competition and lottery (excluding charitable lotteries) from 15% to 5%. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The decrease in the excise duty rate on betting, gaming, prize competition, and lottery from 15% to 5% is perhaps aimed at addressing the negative impact of the previous high rate, which contributed to the exit of operators from the market. By lowering the rate and shifting the tax base to amounts deposited into betting wallets, the government seeks to enhance compliance, promote formal market participation, and sustain revenue collection from the sector.

Excise Duty

#	Amendment	Details	Our comments
19.	Introduction of excise duty on fees charged on virtual asset transactions by virtual asset providers.	<ul style="list-style-type: none"> The Act has introduced excise duty on fees charged on virtual asset transactions by virtual asset providers at 10% . <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The introduction of excise duty on fees charged by virtual asset service providers reflects efforts to expand the tax base to cover emerging sectors, including the growing digital asset economy. The measure is intended to enhance revenue collection from transactions involving virtual assets such as cryptocurrencies in line with the global trends in taxing the digital economy.
20.	Exemption of excise duty on goods and services supplied to or by the Defence Forces Welfare Services.	<ul style="list-style-type: none"> The Act has amended Part A and B of the Second Schedule to the EDA to exempt the following goods and services from excise duty when supplied to the Defence Forces Welfare Services (DEFWES); <ol style="list-style-type: none"> All goods including material supplies, equipment, machinery and motor vehicles for official use by the Defence Forces Welfare Services All goods imported or purchased locally by the Defence Forces Welfare Services Excisable services supplied to or by the Kenya Defence Forces Welfare Services <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> DEFWES is the welfare agency for the Kenya Defence Forces (KDF) personnel, veterans, and their families. Previously, the EDA exempted alcoholic or non-alcoholic beverages supplied to the Kenya Defence Forces Canteen Organization.(DEFKO) The amendment deletes the DEFKO exemption and introduces a broader exemption covering all goods and services procured by DEFWES for their official use. The amendment is intended to reduce the cost of goods and services procured locally or imported by DEFWES in a bid to reduce their cost operations.



Miscellaneous Fees and Levies

Miscellaneous Fees and Levies

#	Amendment	Details	Our comments
1.	Amendment on the application and utilisation of Import Declaration Fee (IDF).	<ul style="list-style-type: none"> The Act has amended Section 7(6) of the Miscellaneous Fees and Levies Act (MLFA) to increase the quantum of IDF collections paid into a Fund established and managed under the Public Finance Management Act from 10% to 20%. Further, the Act has amended Section 7(7) of the MLFA to specify the proportion of the Fund used to pay Kenya's contributions to the African Union and any other international organization to which Kenya has a financial obligation as 10% of the Fund. The remaining ten percent shall be used for revenue enforcement initiatives. <p>Effective date: 1 January 2026</p>	<ul style="list-style-type: none"> Previously, the MFLA provided that 10% of IDF collections be paid into a Fund established and managed in accordance with the Public Finance Management Act. Further, the Act provided that the Fund would be used for payment of Kenya's contributions to the African Union and any other international organization to which Kenya has a financial obligation. The Act increases the IDF collections paid into the Fund by 10% which will be used for financing enforcement initiatives. Allocation of the funds to enforcement initiatives is geared towards enhancing tax compliance in a bid to boost revenue collection.
2.	Amendment on the refund provisions for IDF and RDL.	<ul style="list-style-type: none"> The Act has amended Section 9B of MLFA by deleting the expression "<i>provisions of Section 47 of the</i>" Section 9B of the MFLA previously provided that: <i>The provisions of section 47 of the Tax Procedures Act, 2015 (TPA) shall apply for the purposes of –</i> <i>(a) an application for refunds, ascertainment and repayment of fees and levies overpaid or paid in error under this Act; or</i> <i>(b) the determination by the Commissioner of penalties and interests on fees and levies that remain unpaid.</i> <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The imposition of penalties and late payment interest on unpaid tax is provided for in Section 83A and 38 of the TPA respectively. Section 47 of the TPA provides for offset or refund of overpaid tax. Referencing Section 47 of the TPA on determination of penalties and interests on unpaid tax is therefore erroneous. The amendment is therefore aimed at correcting the above-mentioned error.

Miscellaneous Fees and Levies

#	Amendment	Details	Our comments
3.	Removal of IDF and RDL exemption on goods of Heading 5407 and 6309 imported as raw materials for manufacture of textile products in Kenya.	<ul style="list-style-type: none"> The Act has amended the Second Schedule to the MFLA to delete IDF and RDL exemption on goods of Heading 5407 and 6309 imported as raw materials for manufacture of textile products in Kenya. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The TLAA exempted IDF and RDL on products of heading 5407 and 6309 used for manufacture of textile products effective 27 December 2025 in order to lower the cost of manufacturing textile products in Kenya and promote growth of the local textile sector. The removal of the exemption 6 months later contravenes the spirit of the National Tax Policy of enhancing predictability of the tax laws Kenya.
4.	IDF and RDL Exemption on inputs, raw materials and machinery used in the manufacture of mosquito repellents.	<ul style="list-style-type: none"> The Act has exempted inputs, raw materials and machinery used in the manufacture of mosquito repellents upon recommendation by the Cabinet Secretary responsible for matters relating to health from IDF and RDL. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Malaria morbidity and mortality carries significant societal costs and burdens on the public healthcare system. Treatment, control, and prevention pose a substantial economic burden on the government and individual households, impeding economic growth by reducing the size of the labour force. Moreover, malaria treatments significantly increase healthcare spending at private and public levels. The exemption of IDF and RDL on inputs for manufacture of mosquito repellents will increase their affordability particularly for Kenyans in the endemic regions.

Miscellaneous Fees and Levies

#	Amendment	Details	Our comments
5.	Introduction of Export and Investment Promotion Levy (EIPL) on certain products.	<ul style="list-style-type: none"> • The Act has introduced EIPL on the following goods: <ul style="list-style-type: none"> a) Ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics of Tariff Heading 69.07 at the rate of 3% of the customs value. b) Ceramic sinks, wash basins ,wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures of Tariff Heading 69.10 at the rate of 3% of the customs value. c) Iron and non-alloy steel in ingots or other primary forms (excluding iron of Tariff Heading 72.03) of Tariff Heading 72.06 at the rate of 17.5% of the customs value. d) Semi-finished products of iron or non-alloy steel of Tariff Heading 72.07 at the rate of 17.5% of the customs value. e) Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel of Tariff Heading 72.13 at the rate of 17.5% of the customs value. f) Other bars and rods of iron or non-alloy steel, not further worked than forged, hot rolled, hot-drawn or hot extruded, but including those twisted after rolling of Tariff Heading 72.14 at the rate of 17.5% of the customs value. g) Other alloy steel in ingots or other primary forms; semifinished products of other alloy steel of Tariff Heading 72.24 at the rate of 17.5% of the customs value. 	<ul style="list-style-type: none"> • These products are primarily used in the construction, infrastructure, and manufacturing sectors for finishing works, sanitary installations, and structural materials. • The introduction of EIPL is intended to promote local manufacturing by discouraging the importation of finished products and encouraging the use of locally available alternatives. • While the measure supports local industries, it may increase costs for businesses reliant on these construction and manufacturing inputs, especially where local substitutes are unavailable or limited.

Effective date: 1 July 2025



Tax Administration

Tax Administration- All the amendments took effect from 1st July 2025

Enacted

#	Enacted change	Details	Our comments
1.	Exclusions from eTIMS invoice requirements.	<ul style="list-style-type: none"> The Act proposes to delete Section 23A(4) of the TPA and substitute it with a new subsection that excludes payments of employee emoluments, imports, interest, investment allowances, airline passenger ticketing and payments subject to withholding tax (WHT) that is a final tax from the requirement to issue an electronic tax invoice (“eTIMS invoice”). <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment rectifies a drafting error introduced by the Tax Procedures (Amendment) Act, 2024 (TPAA), which inadvertently excluded the payment of WHT from the eTIMS requirements. The amendment seeks to specify the scope of transactions exempt from the issuance of electronic tax invoices by eliminating the phrase "and similar payments" and specifically including transactions where WHT serves as the final tax. According to the Income Tax Act (ITA), such payments encompass qualifying dividends, pensions, and withdrawals from betting wallets paid to resident individuals.
2.	Commissioner to provide reasons for amended assessments.	<ul style="list-style-type: none"> The Act amends Section 31 of the TPA to introduce a requirement for the Commissioner to include reasons for amending an assessment in the written assessment notice typically sent to taxpayers. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment addresses the issue where amended assessments received by taxpayers often lacked explicit justifications from the Commissioner. Without clear reasons for the amendments, taxpayers face challenges in lodging informed objections. Additionally, the absence of reasons contravened the constitutional mandate to give reasons for any administrative action per Article 47 of the Constitution of Kenya, 2010 and the Fair Administrative Action Act, 2015. The Act now mandates the Commissioner to provide reasons for amended assessments, enabling taxpayers to raise objections based on a clear understanding of the issues. Overall, the amendment enhances transparency in the tax dispute resolution process, marking a significant advancement in safeguarding taxpayers' rights.

Tax Administration

Enacted

#	Enacted change	Details	Our comments
3.	Penalty for failure to deduct or withhold tax.	<ul style="list-style-type: none"> The Act amends Section 39A of the TPA to provide that where a person does not deduct, withhold and remit taxes on payments (e.g., WHT, withholding VAT), they shall not be required to remit the un-deducted tax where the recipient of the payment has accounted for the full principal tax in their hands. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> This amendment effectively eliminates double taxation occurring where the Commissioner has assessed WHT and withholding VAT or seeks to recover the taxes from a payer, who failed to deduct and remit taxes on payments to suppliers. To the extent that the payer can demonstrate that recipients of the payments have already accounted for the full taxes not deducted at source, the payer will not be required to pay the additional tax raised in an assessment. This implies that the taxpayers will only be liable for any resultant penalties and interest due to non-compliance in such circumstances.
4.	Stamp duty exemption for transactions where the Commissioner has security over property for unpaid tax.	<ul style="list-style-type: none"> The Act amends Section 40 of the TPA to exempt the following transactions from stamp duty, where the Commissioner opts to exercise its powers to use a taxpayer's property as security for unpaid tax: <ul style="list-style-type: none"> a) The registration of the Commissioner's interest in the property by the Registrar (e.g., Land Registrar) to secure the unpaid tax; and b) The transfer of property to recover the unpaid tax where the taxpayer fails to settle the amount as per the agreed payment plan. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Section 40 of the TPA authorizes the Commissioner to secure a taxpayer's property for unpaid taxes. This amendment aligns with existing exclusions under the Stamp Duty Act for government-related transactions. By eliminating stamp duty, the amendment streamlines and accelerates the tax recovery process.

Tax Administration

Enacted

#	Enacted change	Details	Our comments
5.	Agency notices to be issued to agents of non-resident persons subject to tax in Kenya.	<ul style="list-style-type: none"> The Act amends Section 42 of the TPA to allow the Commissioner to issue agency notices to agents of non-resident persons subject to tax in Kenya. Presently, the Commissioner typically issues agency notices to agents of resident persons. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment enhances tax enforcement for non-residents by empowering the Commissioner to issue agency notices for recovering unpaid taxes, targeting significant economic presence tax (SEPT), and VAT and excise duty on digital marketplace supplies in Kenya. Non-residents should be aware that their agents in Kenya, including banks and customers may be required to remit funds to the KRA for outstanding taxes. Resident entities dealing with non-residents, such as banks and digital service recipients, may receive agency notices when direct access to non-residents is hindered by visibility, resource, or jurisdictional challenges.
6.	Penalty for failure to deduct and remit withholding VAT.	<ul style="list-style-type: none"> The Act amends Section 42A of the TPA to clarify that the penalty for failure to deduct and remit withholding VAT by the 5th day of the following month shall be 10%. This penalty can be enforced without the need for conviction by a court of law. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment cleans up Section 42A of the TPA, which previously imposed a double penalty through two subsections, thereby ensuring clarity and consistency in its application. The amendment also aligns with Section 80 of the TPA, which provides that a person shall not be subject to both a penalty and prosecution of an offence in respect of the same act or omission.
7.	Commissioner's powers to appoint digital service tax agents to be repealed.	<ul style="list-style-type: none"> The Act repeals Section 42B of the TPA, which allows the Commissioner to appoint an agent for purpose of collecting and remitting digital service tax (DST). <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment aligns the TPA with recent ITA changes, replacing DST with SEPT. Given the shift to a self-assessment regime under SEPT and the Commissioner's authority to issue agency notices for non-resident liabilities like SEPT vide Section 42 of the TPA, maintaining this provision is superfluous within the current tax framework.

Tax Administration

Enacted

#	Enacted change	Details	Our comments
8.	Requirement for Certificate of Origin for all goods imported into Kenya.	<ul style="list-style-type: none"> The Act introduces a definition of “certificate of origin”, which shall refer to “an official document issued by a competent authority of the government of the source country which certifies that the goods being imported into Kenya were manufactured in that particular source country”. The Act also introduces Section 44A of the TPA, which mandates that all goods imported into Kenya must be accompanied by a valid Certificate of Origin. The Commissioner or authorized officer will not process import documentation without this Certificate, which must contain specific details and supporting documents Non-compliance will result in the seizure or forfeiture of goods, as per Section 44 of the TPA. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> For customs purposes, a certificate of origin is crucial as it is meant to prevent evasion since goods originating from certain countries e.g., East African Community (EAC) partner states are entitled to preferential tax rates. The production of a certificate of origin has been a mandatory requirement for imports from EAC partner states under the East African Community Customs Management Act (EACCMA). However, this amendment seeks to introduce a blanket requirement for all imports, regardless of their country of origin. In our view, this amendment is mainly aimed at empowering the Commissioner to seize goods not accompanied by a certificate of origin. This may place Kenyan importers at a disadvantage and may be construed to be a non-tariff barrier to trade. Further, given that EACCMA remains the primary legal framework governing customs administration and that there is no corresponding provision in EACCMA mirroring this amendment, implementing it may prove challenging. Under Section 44 of the TPA, importers whose goods are seized can recover them from the Commissioner once they have paid the tax due or given security for the payment of such taxes. However, the tax due or security should be given within 10 days after the seizure or after the due date of the payment of tax due, whichever is earlier.

Tax Administration

Enacted

#	Enacted change	Details	Our comments
9.	Changes to the tax refund and offset framework.	<ul style="list-style-type: none"> The Act introduces the following changes to Section 47 of the TPA, which provide the mechanisms for taxpayers to apply for a refund or offset of overpaid taxes: <ol style="list-style-type: none"> The Act clarifies that overpaid taxes cannot be offset against input VAT; The Act has also expanded Section 47 to allow taxpayers to offset overpaid taxes against import VAT; The Act increases the timeline for the Commissioner to determine a refund or offset application from 90 days to 120 days; and Where the refund or offset application is subjected to an audit, the Act increases the timeline for the Commissioner from 120 days to 180 days. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The first and second amendments seek to limit the offset of tax overpayments against VAT to only import VAT. While the limitation is disadvantageous to many taxpayers, businesses which incur significant import VAT such as the importers of petroleum products will benefit from this amendment as they can utilize tax overpayments, even from other taxes, against import VAT. The third and fourth amendments extend the timeframe for the Commissioner to process refund or offset applications, potentially improving accuracy and allowing for more thorough consideration. However, it may inadvertently worsen existing refund backlogs and create cashflow challenges by prolonging the wait for genuine tax overpayments.
10.	Timeline for issuance of objection decision to start from the day the objection is lodged where the taxpayer is allowed to lodge an objection out of time.	<ul style="list-style-type: none"> The Act amends Section 51 of the TPA to provide that where the Commissioner has allowed a taxpayer to lodge an objection out of time, the Commissioner shall issue an objection decision within 60 days of the day the objection is lodged. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment addresses a gap in the current provision by providing clarity on the timelines for the Commissioner to issue decisions on objections filed late by taxpayers.

Tax Administration

Enacted

#	Enacted change	Details	Our comments
11.	Commissioner's powers to refuse a private ruling application.	<ul style="list-style-type: none"> The Act repeals Section 66 (1)(a)(iii) of the TPA, which allows the Commissioner to reject private ruling applications when the issue has already been addressed in an existing published ruling under Section 26. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment removes obsolete provisions related to publication of private rulings, following the repeal of Section 69 by the Tax Law (Amendment) Act, 2020. Previously, this section required private rulings to be published in newspapers and deemed binding on the Commissioner
12	Penalty for failure to submit or file tax returns after the due date.	<ul style="list-style-type: none"> The Act amends Section 83 of the TPA to clarify that the penalty for failure to submit or for late submission of a tax return shall be: <ol style="list-style-type: none"> The higher of 25% or KES 10,000 for employment income; KES 1,000 for turnover tax; The higher of 5% or KES 10,000 for VAT or excise duty; and The higher of 5% and KES 20,000 for non-individuals; or KES 2,000 for individuals. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment aims to address an apparent omission in the previous provision, by imposing penalties on taxpayers who fail to submit tax returns, aligning them with penalties for late submissions.

Tax Administration

Enacted

#	Enacted change	Details	Our comments
13.	Waiver of penalties or interest arising due to errors.	<ul style="list-style-type: none"> The Act amends Section 89 of the TPA to empower the Cabinet Secretary, National Treasury, upon the Commissioner's recommendation, to waive penalties and interest imposed due to the following: <ul style="list-style-type: none"> a) Errors generated by an electronic tax system; b) Delays in updating an electronic tax system; c) Duplication of penalties or interest in an electronic tax system; or d) Incorrect registration of a taxpayer's obligations. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment is a welcome move as it permits taxpayers to seek waivers for penalties and interest caused by system errors beyond their control, specifically involving system errors on platforms such as iTax, thus promoting fairness in tax enforcement.

Tax Administration

The following proposals contained in the Finance Bill, 2025 were **dropped** prior to enactment of the Act

Dropped

#	Proposal	Details	Our comments
1.	Agency notices to be issued where a taxpayer has appealed against a TAT or court decision.	<ul style="list-style-type: none"> The Finance Bill had proposed an amendment to Section 42 of the TPA to allow the Commissioner to issue an agency notice where a taxpayer has appealed against an assessment specified in a decision of the Tax Appeals Tribunal (TAT) or court of law. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The proposal to amend Section 42 of the TPA, allowing the Commissioner to issue agency notices during ongoing appeals, was rightly rejected. This measure, also included in the defunct Finance Bill 2024, would have undermined taxpayers' constitutional right to appeal against unfavourable judgements Additionally, the deletion of subsection 14(e) would have exposed taxpayers to problematic recovery actions against KRA in instances where taxpayers successfully appealed.
2.	Taxpayers to share data relating to sensitive trade or personal data.	<ul style="list-style-type: none"> The Finance Bill had proposed to repeal Section 59A(1B) of the TPA, which presently provides that taxpayers shall not be required to integrate or share data with the Commissioner relating to trade secrets and private or personal data. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The proposal to repeal Section 59A(1B) of the TPA, which would have required taxpayers to share sensitive trade and personal data with the KRA, was dropped by Parliament. Concerns over data security were paramount as there was an apparent risk that taxpayers' information could be mishandled or abused, potentially compromising individuals' constitutionally guaranteed right to privacy. The decision reflects a prudent approach to safeguarding taxpayer confidentiality and preventing misuse of personal data.
3.	Computation of time for the lodgment of objections and appeals.	<ul style="list-style-type: none"> The Finance Bill had proposed to repeal Section 77(2) of the TPA, which currently provides that in computing the period for the lodgment of appeals and objections, the computation would not include weekends and public holidays. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> Given the recent introduction of the provision by the Tax Procedures (Amendment) Act, 2024 in December 2024, which excluded non-working days from the 30-day period for lodging appeals to the TAT or courts, or objecting to tax decisions, the decision to drop the proposal to include non-working days is a welcome move. It upholds the canon of certainty, providing taxpayers with a clear and consistent timeframe to exercise their rights.

A photograph of a shopping cart in a supermarket aisle. The cart is made of metal wire and has a green handle with a red grip. The background shows shelves stocked with various products, slightly out of focus. A white text box with a green border is overlaid on the left side of the image.

Stamp Duty

Stamp Duty

#	Amendment	Details	Our comments
1.	Stamp duty exemption on transfer of property by a company to its shareholders	<ul style="list-style-type: none"> The Act amends the Stamp Duty Act to introduce a stamp duty exemption on the transfer of property by a company to its shareholders as part of an internal reorganization, provided that: <ol style="list-style-type: none"> The property is transferred to shareholders in proportion to their shareholding immediately before the transfer; and Where the property is shares, such shares should be in a subsidiary of the company undertaking the transfer. <p>Effective date: 1 July 2025</p>	<ul style="list-style-type: none"> The amendment is aimed at aligning the current stamp duty exemptions on internal restructuring to consider transactions where property and shares are transferred by a company to its shareholders. Notably, the term “shareholders” as used in this amendment includes companies, which means that the proposed exemption would apply in complex restructuring transactions involving share transfers among entities in the same group.

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