

FINANCE BILL 2026

TAX ANALYSIS



B C PATEL & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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14 May 2026 |

PREAMBLE

The Finance Bill, 2026, was tabled before the National Assembly by the Cabinet Secretary for the National Treasury against a backdrop of continued global economic headwinds, including persistent inflationary pressures, elevated commodity prices, and tightening fiscal conditions across emerging markets.

The Bill's focus areas broadly align with four strategic priorities: revenue base expansion, through the taxation of digital payments, card schemes, virtual assets, and gambling; investment facilitation, through REIT incentives, PPP project reliefs, and reduced repatriation tax rates for extractive sector licensees; tax administration modernisation, through the introduction of pre-populated returns, a General Anti-Avoidance Rule, and a comprehensive virtual asset reporting framework aligned with the OECD's Crypto-Asset Reporting Framework (CARF); and economic relief, through the extension of the tax amnesty window, the exemption of essential goods, and the restructuring of handset taxation to improve mobile connectivity affordability.

Globally, the move to tax digital payment platforms and card scheme fees as royalties mirrors legislative developments in India, Nigeria, and several OECD jurisdictions, where tax authorities have increasingly sought to assert source-country taxing rights over cross-border digital service fees. Kenya's proposals in this regard are bold and will have significant implications for international payment networks operating in the country.

The analysis that follows sets out, for each proposed change, the current legislative position, the proposed amendment, and B C Patel & Co.'s commentary on the practical and commercial implications for taxpayers and businesses operating in Kenya.

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CORPORATE TAX

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
PART II — INCOME TAX				
1	<p>Sec 2 Definition of 'Immovable property'</p> <p>Effective date: 1 July 2026</p>	<p>Under the current Income Tax Act, immovable property is defined as:</p> <p>a) land, whether covered by water or not, any estate, rights, interest or easement in or over any land and things attached to the earth or permanently fastened to anything attached to the earth, and includes a debt secured by mortgage or charge on immovable property; and</p> <p>b) a mining right, an interest in a petroleum agreement, mining information or petroleum information;</p>	<p>The Bill proposes to amend the definition of “immovable property” in Section 2 of the Income Tax Act by removing the word “and” and replacing it with “or” .</p>	<p>The current drafting of the provision creates ambiguity through the conjunctive use of "and," which implies that items (a) and (b) must be satisfied cumulatively in order for property to qualify as immovable property. This was not the legislative intent.</p> <p>The proposed amendment addresses this by restructuring the two items as independent, standalone categories — each capable of qualifying as immovable property in its own right. This ensures that land-based interests on one hand, and extractive rights such as mining and petroleum interests on the other, are recognised as distinct qualifying categories without either being contingent on the other.</p>
2	<p>Sec 2 Definition of 'Management or Professional Fee' —</p>	<p>The term 'management or professional fee' is defined broadly as a payment calculated on the basis of services rendered. The definition does not expressly include fees</p>	<p>The Bill proposes to expand the definition to include interchange fees and merchant service fees arising from transactions that use a card as a means of payment.</p>	<p>This amendment has significant implications for the payments industry. Banks, payment service providers (PSPs), and card schemes (including international networks) that earn interchange or merchant service fees from Kenyan card</p>

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	<p>Interchange & Merchant Service Fees</p> <p>Effective date: 1 July 2026</p>	<p>charged by card payment networks or processors.</p>		<p>transactions will now fall squarely within the withholding tax (WHT) net applicable to management and professional fees.</p> <p>For non-resident payees, the applicable WHT rate is 20%. This substantially increases the compliance and tax cost of cross-border card-based payment arrangements and will require a review of existing commercial contracts and withholding tax positions.</p>
3	<p>Sec 2 Expanded Definition of 'Royalty' — Digital Payment Platforms</p> <p>Effective date: 1 July 2026</p>	<p>The existing definition of 'royalty' covers payments for the use of copyrights, patents, trademarks, industrial equipment, and similar rights. Fees paid to access or participate in digital payment networks or card schemes were not explicitly captured under this definition.</p>	<p>The Bill proposes to replace the definition of Royalty with the following new provision: - “royalty” means a payment made as a consideration for —</p> <p>(a) the use or the right to use —</p> <ul style="list-style-type: none"> • any copyright of a literary, artistic or scientific work; • any software, proprietary or off the-shelf, whether in the form of licence, development, training, maintenance or support fees; 	<p>This is one of the most consequential proposals in the Bill. By recharacterising fees paid to international card schemes and digital payment platforms as royalties, Kenya effectively subjects such fees to a 20% withholding tax on non-resident recipients.</p> <p>This will directly affect payments made to Visa, Mastercard, and similar international network operators, as well as to operators of digital payment and fintech platforms. Businesses in Kenya that route payments through these networks will need to revisit their contractual and tax structures.</p>

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			<ul style="list-style-type: none"> • any cinematograph film, including a film or tape for radio or television broadcasting; • any patent, trademark, design or model, plan, formula or process; • any industrial, commercial or scientific equipment; information concerning industrial, commercial or scientific equipment or experience, and • any gains derived from the sale or exchange of any right or property giving rise to that royalty; or, • a proprietary digital platform, payment network, payment card scheme, payment processing system, switching system, clearing system or settlement system, including access, 	<p>The broad drafting — catching any payment regardless of the label applied to it — limits the scope for recharacterisation.</p> <p>The proposed amendment seeks to broaden the definition of royalties to expressly include payments made for the acquisition of software for distribution purposes, where such payments are made on a recurring or periodic basis.</p> <p>The revised definition diverges from established international norms, under which payments for standard software usage rights are ordinarily excluded from the royalties classification unless an actual transfer of copyright ownership occurs. Should the amendment be passed into law, it could heighten withholding tax obligations for software distributors, fintechs, payment processors, card networks, and other participants in cross-border digital ecosystems, while potentially conflicting with the more limited royalty definitions found in applicable tax treaties.</p>

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			<p>participation or usage rights in such system through a card, whether the consideration is periodic or transaction based and whether or not the payment is described as a service fee, transaction fee, network fee assessment fee, processing fee or similar charge; or</p> <p>(b) the distribution of software where regular payments are made for the use of the software through the distributor;</p>	
4	<p>Sec 2 Definitions of 'Withdrawals' and 'Winnings' — Gambling Effective date: 1 July 2026</p>	<p>'Withdrawals' was defined as any amount of money paid or disbursed to a player's account by a licensed gambling operator.</p> <p>'Winnings' was not separately defined in the Income Tax Act.</p>	<p>The definition of 'withdrawals' is amended to align with the Gambling Control Act, 2025. A new definition of 'winnings' is introduced to mean a pay-out from a lottery or prize competition under the Gambling Control Act, 2025, but expressly</p>	<p>The existing framework limited the taxable event to amounts physically withdrawn from a betting or gaming wallet, creating a gap whereby undrawn winnings escaped the charge to tax. The proposed amendment closes this by shifting the taxable event to any payout or transfer of value credited to a player's account, regardless of withdrawal, thereby broadening the tax base and eliminating what was</p>

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			<p>excluding the amount staked or wagered.</p>	<p>effectively an elective deferral mechanism in the betting and gaming sector.</p> <p>The carve-out of the staked amount from the definition of 'winnings' is a taxpayer-favourable clarification, ensuring that tax is levied only on the net gain rather than the gross pay-out. This aligns with internationally accepted practice.</p>
5	<p>Sec 6B Non-Resident Rental Income Tax</p> <p>Effective date: 1 July 2026</p>	<p>Under the current ITA, withholding tax is levied on payments made to non-residents at a rate of 30% where such payments constitute rent or a premium for the use of immovable property, and at a reduced rate of 15% where the property concerned is not immovable in nature. Notably, however, the ITA makes no provision for a non-resident rental income tax.</p>	<p>The Bill introduces a new Section 6B establishing a standalone non-resident rental income tax regime. Under this provision, rental income accrued or derived by a non-resident from the use or occupation of immovable property situated in Kenya will be subject to tax at the rate prescribed in the Third Schedule. The tax is expressly designated as final.</p> <p>The regime will not apply where rental income is received by a resident person on behalf of the</p>	<p>This is a significant structural change. This amendment represents a deliberate policy shift by the Kenya Revenue Authority to move away from reliance on intermediary-based withholding and instead impose direct compliance obligations on non-resident landlords.</p> <p>Non-resident landlords will be brought directly into the Kenyan tax net and required to:</p> <ul style="list-style-type: none"> • register under a simplified framework to be prescribed by the Commissioner; • file monthly returns; and • remit tax by the 20th day of the month following the month of receipt or accrual of rental income.

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			<p>non-resident and is subject to withholding tax under Section 35(3)(j).</p>	<p>The Third Schedule does not appear to have been correspondingly amended to specify the applicable rate for non-resident rental income tax.</p>
6	<p>Section 9 – Introduction of new subsection withholding tax payment date</p> <p>Effective date: 1 July 2026</p>	<p>Currently, the tax is payable by the 20th day of the month following the month in which the deduction was made.</p>	<p>The Bill proposes to introduce a new subsection as follows: (1A) The tax charged under subsection (1) shall be payable within five days after the payment is received or the ship leaves the port of lading, whichever is earlier</p>	<p>The proposed amendment brings forward the date on which tax becomes due in respect of income derived by certain non-resident ship owners or charterers. Under the previous regime, such tax was generally remittable by the 20th day of the month following the month in which the relevant deduction was made. The Bill now proposes a significantly tighter timeline, requiring payment within five days of whichever occurs first — receipt of payment or departure of the vessel from the port of lading.</p>
7	<p>Sec 10 Scrap Metal - Withholding Tax</p> <p>Effective date: 1 July 2026</p>	<p>Not Applicable</p>	<p>The Bill introduces payments for scrap metal subject to withholding tax under both Section 35(1) and Section 35(3).</p>	<p>Payments for scrap metal, to both resident and non-resident, suppliers will be subject to 1.5% of the gross sale price.</p>
8	<p>Sec 10</p>	<p>Not Applicable</p>	<p>The Bill proposes to reintroduce withholding tax on winnings at the</p>	<p>The 20% withholding tax on winnings represents a significant cost for betting, gambling and lottery players. Operators will need to implement system changes to deduct and remit WHT</p>

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	Winnings - Withholding Tax Effective date: 1 July 2026		rate of 20% for both resident and non-residents.	at source. The definition of 'winnings' (net of stake) provides some relief, but operators should model the impact carefully.
9	Sec 11 Taxation of Trust Income — Trustees as Final Taxpayers Effective date: 1 July 2026	Section 11(3) of the ITA provided that income paid by a trustee to a beneficiary, which would otherwise be taxable on the trustee, was deemed to be income of the beneficiary chargeable on the beneficiary.	by deleting and replacing the same as follows: (1) Any income chargeable to tax and received by a person in the capacity of a trustee, executor or administrator, shall be deemed to be the income of that trustee, executor or administrator. (2) Dividend or interest which is included in the income of the trustee, executor or administrator under subsection (1) shall not be subject to further tax under this Act.	The proposal introduces a clear single-point taxation principle by confirming that where a trustee or executor has already paid tax on the income of a trust, beneficiaries will not be taxed again when that income is distributed to them. Dividends and interest which have been taxed in the hands of the trustee or executor at the applicable withholding tax rates would not be subject to further tax upon distribution to beneficiaries. This provides certainty to both trustees and beneficiaries and removes ambiguity on the risk of double taxation of trust income.

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			<p>(3) Where a trustee, executor or administrator has paid tax on the chargeable income of the trust, a beneficiary of the trust shall not be liable to pay tax on that income.</p>	
10	<p>Sec 12 Imposition of instalment tax Effective date: 1 July 2026</p>	<p>Section 12(1)(a) reads: (a) if the minimum tax payable under section 12D is higher than the instalment tax under this section;</p>	<p>The Bill proposes to substitute paragraph (a) of Section 12(1) with the following new paragraph: (a) if to the best of his judgement and belief he will have no income chargeable to tax for that year of income other than emoluments.</p>	<p>The amendment removes the reference to minimum tax and instead excludes persons who reasonably expect to have no taxable income other than employment income from the instalment tax regime.</p> <p>This change simply aligns the provision with the removal (or non-application) of minimum tax under the Finance Act 2025.</p>
11	<p>Sec 16 Deductions not allowed Effective date: 1 July 2026</p>	<p>Section 16(2)(j)(iii)(E): Interest payment to non-resident - non-deposit taking institutions involved in lending and leasing business;</p>	<p>The Bill proposes to amend Section 16(2)(j)(iii)(E) as follows: - non-deposit taking institutions involved in lending or leasing business, or both.</p>	<p>The proposal clarifies that the provision applies to non-deposit taking institutions engaged in lending, leasing, or both activities.</p> <p>This removes ambiguity and ensures that institutions carrying out only one of the activities are not excluded.</p>
12	<p>Sec18D</p>	<p>Section 18D (1) Each ultimate parent entity that is resident in Kenya shall file a</p>	<p>The Bill proposes to amend section 18D by deleting and replacing the same as follows:</p>	<p>The proposed amendments to Section 18D are mainly housekeeping changes aimed at correcting internal cross-references and improving clarity in the operation of the</p>

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	<p>Filing of Return – Country by Country Report</p> <p>Effective date: 1 July 2026</p>	<p>country-by-country report with the Commissioner in accordance with subsection (3).</p> <p>(2) An ultimate parent entity or a constituent entity shall file the country-by-country report referred to under subsection (1) not later than twelve months after the last day of the reporting financial year of the group.</p> <p>(3) A country-by-country report filed under subsection (1) shall consist of–</p> <p>(a) the information relating to the identity of each constituent entity, its jurisdiction of tax residence, if different, jurisdiction where such entity is organized, and the nature of the main business activity or activities of such entity;</p> <p>(b) the group’s aggregate information including information relating to the amount of revenue, profit or loss before income tax,</p>	<p>(a) in subsection (1), by deleting the expression “subsection (3)” appearing after the words “accordance with” and substituting therefor the expression “subsection (2)”;</p> <p>(b) in subsection (2), by deleting the expression “subsection (1)” appearing after the words “accordance with” and substituting therefor the expression “subsections (1) and (1A)”;</p> <p>(c) in subsection (5), by deleting the expression “subsection (1)” appearing after the words “accordance with” and substituting therefor the expression “subsections (1) and (1A)”.</p>	<p>country-by-country (“CbC”) reporting rules. They do not introduce any new substantive compliance obligations.</p> <p>Currently, Section 18D(1) requires a Kenyan resident ultimate parent entity (“UPE”) to file a CbC report “in accordance with subsection (3)”. However, subsection (3) relates to master file and local file requirements, not CbC reporting. The amendment corrects this reference to subsection (2), which contains the actual 12-month filing deadline for CbC reports. This is therefore a drafting correction only and does not create any additional compliance burden.</p> <p>The Bill also amends subsections (2) and (5) by replacing the reference to “subsection (1)” with “subsections (1) and (1A)”. This clarifies that the provisions apply to CbC reports filed by both an ultimate parent entity and a constituent entity under the respective subsections.</p>

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		<p>income tax paid, income tax accrued, stated capital, accumulated earnings, number of employees and tangible assets other than cash or cash equivalents with regard to each jurisdiction where the group has taxable presence; and (c) any other information as may be required by the Commissioner.</p>		
13	<p>Sec 18F Definitions for Country by Country reporting Effective date: 1 July 2026</p>	<p>It reads: Section 18F “a country-by-country report” means a report filed under section 18D(1) describing the financial activities of each constituent entity in all the jurisdictions where the group has taxable presence; “excluded multinational enterprise group” means, with respect to any financial year of the group, a group having total consolidated group</p>	<p>The Bill proposes amendments in certain definitions as follows: a) The Bill proposes changes in the definition of “a country-by-country report”, by deleting the expression “section 18D (1)” appearing after the words “filed under” and substituting therefor the expression “section 18D (1) and (1A)”; (b) The Bill proposes changes in the definition of “excluded multinational enterprise group”, by deleting the expression “section 18D(1)”</p>	<p>The proposed amendments to Section 18F are intended to update and refine the definitional framework supporting Kenya’s Country-by-Country Reporting (“CbCR”) regime. Amendments (a) and (b) are technical housekeeping changes aimed at correcting internal cross-references within Section 18D, while amendment (c) is the only substantive change and aligns Kenya’s rules more closely with the OECD BEPS Action 13 framework.</p> <p>Proposed Amendment (a) – Definition of “a country-by-country report”</p> <p>The current definition refers only to “a report filed under section 18D(1)”, which covers CbC reports filed by an ultimate</p>

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		<p>revenue of less than the amount specified in section 18D(1);</p> <p>“ultimate parent entity” means an entity which—</p> <p>(a) is not controlled by another entity; and</p> <p>(b) owns or controls, directly or indirectly, one or more constituent entities of a multinational enterprise group.</p>	<p>appearing after the words “specified in” and substituting therefor the expression “section 18D(1B)”;</p> <p>(c) The Bill proposes to amend definition of “ultimate parent entity” by deleting and replacing the same as follows:</p> <p>“ultimate parent entity” means a constituent entity of a multinational enterprise group where—</p> <p>(a) the constituent entity owns directly or indirectly a sufficient interest in one or more other constituent entities of the multinational enterprise group;</p> <p>(b) the constituent entity is required to prepare consolidated financial statements under accounting principles generally applied in its jurisdiction of tax residence, or would be so required if its</p>	<p>parent entity (“UPE”) resident in Kenya. The Bill proposes to expand this reference to “section 18D(1) and (1A)” so that the definition also includes secondary or surrogate filings made by a constituent entity resident in Kenya under subsection (1A).</p> <p>This is a technical cross-referencing correction intended to ensure the definition captures the full scope of existing CbC filing obligations. It does not introduce any new compliance requirements.</p> <p>Proposed Amendment (b) – Definition of “excluded multinational enterprise group”</p> <p>The amendment corrects a cross-reference error in the existing legislation. The current definition incorrectly refers to section 18D(1), which relates to the filing obligation of the UPE, instead of section 18D(1B), which contains the KES 95 billion consolidated turnover threshold.</p> <p>The amendment does not change the threshold itself. Multinational groups with consolidated turnover below KES 95 billion will continue to be excluded from the CbCR regime.</p>

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			<p>equity interests were traded on a public securities exchange in its jurisdiction of tax residence; and</p> <p>(c) there is no other constituent entity of the multinational enterprise group that owns directly or indirectly a sufficient interest in any of the other constituent entities of the multinational enterprise group.</p>	<p>Proposed Amendment (c) – Definition of “ultimate parent entity”</p> <p>This is the main substantive amendment in the Bill. The current definition identifies a UPE using a control-based test, while the proposed amendment introduces a consolidation-based test aligned with the OECD BEPS Action 13 Model Legislation.</p> <p>Under the new approach, a UPE will be identified based on whether it is required — or would be required if publicly listed — to prepare consolidated financial statements, rather than simply whether it is controlled by another entity.</p> <p>This amendment aligns Kenya’s rules with international standards, improves consistency across jurisdictions, and reduces the risk of different countries identifying different entities as the UPE within the same multinational group.</p>
14	Section 19 – Amendment of ascertainment of income of insurance companies	Section 19 provides the method for calculating taxable profits from long-term insurance business for resident and non-resident insurers. Taxable profits mainly consist of actuarial surpluses and other amounts	The Bill proposes to delete the definition of “life insurance fund” and replace it with the definition of “statutory fund” and subsequently substitute the words “life insurance	Currently, the term “life insurance fund” excludes annuity funds and liabilities relating to registered annuity contracts, trust schemes, pension schemes, and pension funds.

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	<p>Effective date: 1 July 2026</p>	<p>transferred from the life insurance fund for the benefit of shareholders.</p> <p>Where shareholders inject funds into the life insurance fund due to an actuarial deficit, the amount is treated as a negative transfer and may reduce taxable profits, subject to limits based on prior surpluses transferred to shareholders.</p> <p>For non-resident insurers, the taxable amount is calculated proportionately based on the Kenyan business relative to the insurer’s total long-term insurance business.</p> <p>The section also defines key terms and excludes certain annuity and pension-related liabilities from the life insurance fund for tax purposes.</p>	<p>fund” with “statutory fund” wherever they occur under section 19.</p> <p>- “statutory fund” means a fund established under section 45 of the Insurance Act.</p>	<p>However, Section 45 of the Insurance Act uses the broader term “statutory fund”, which applies to all classes of long-term insurance business and not just life insurance business.</p> <p>By replacing “life insurance fund” with “statutory fund”, the Bill seeks to align the Income Tax Act with the Insurance Act and broaden the provision to cover additional classes of long-term insurance business.</p>

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15	<p>Section 23 – Repeal of transactions designed to avoid liability to tax.</p> <p>Effective date: 1 July 2026</p>	<p>This section gives the Commissioner powers to counteract tax avoidance arrangements.</p> <p>Where the Commissioner believes that the main purpose, or one of the main purposes, of a transaction was to avoid or reduce tax, or that the main benefit expected from the transaction within three years was a tax advantage, the Commissioner may make adjustments considered just and reasonable to counteract that tax benefit.</p>	<p>The Bill proposes to delete this section.</p>	<p>The proposed deletion appears to be a harmonisation and clean-up measure following the introduction of section 18A in the Tax Procedures Act, which consolidates and strengthens the Commissioner’s general anti-avoidance powers across different tax laws, including the Income Tax Act and the Value Added Tax Act.</p>
16	<p>Section 24 – non- distribution of Dividends</p> <p>Effective date: 1 July 2026</p>	<p>(1) Where the Commissioner is of the opinion that a company has not distributed to its shareholders as dividends within a reasonable period, not exceeding twelve months, after the end of its accounting period that part of its income for that period</p>	<p>The Bill proposes to amend Section 24(1) as follows: - Where the Commissioner is of the opinion that a company has not distributed to its shareholders as dividends within a reasonable period, not exceeding twelve months, after the end of its accounting period that part of its</p>	<p>The Bill proposes to tighten the deemed dividend rules by requiring at least 60% of undistributed profits to be treated as dividends where a company fails to distribute profits within twelve months and the Commissioner believes the profits could have been distributed without affecting operations.</p> <p>This significantly increases the risk of deemed dividend assessments, particularly as KRA has recently taken a more</p>

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		<p>which could be so distributed without prejudice to the requirements of the company’s business, he may direct that that part of the income of the company shall be treated for the purposes of this Act as having been distributed as a dividend to the shareholders in accordance with their respective interests and shall be deemed to have been paid on a date twelve months after the end of that accounting period.</p>	<p>income for that period which could be so distributed without prejudice to the requirements of the company’s business, he may direct that at least sixty percent of that part of the income shall be treated for the purposes of this Act as having been distributed as a dividend to the shareholders in accordance with their respective interests and shall be deemed to have been paid on a date twelve months after the end of that accounting period.</p>	<p>aggressive approach in reviewing retained earnings, shareholder advances, and related-party balances.</p> <p>Companies will therefore need to maintain strong commercial justification for retaining profits, such as working capital needs, expansion plans, debt obligations, or regulatory capital requirements. Otherwise, withholding tax may arise on profits that have not actually been distributed.</p>
17	<p>Sec 35 Introduction of withholding tax on certain payments by national carrier to non-resident</p>	<p>Section 35(1)(a)(iii) reads - (a) a management or professional fee or training fee except - iii. payments made by the national carrier to a non-resident for specialized technical, maintenance, compliance, training, or digital systems support services, where</p>	<p>The Bill proposes to delete the subparagraph Section35(1)(a)(iii).</p>	<p>The Bill seeks to remove the recently introduced exemption that excluded certain payments by the national carrier to non-residents for specialised technical, maintenance, compliance, training, and digital support services from withholding tax.</p> <p>Consequently, these payments would now fall within the scope of management and professional service fees and become subject to withholding tax.</p>

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	<p>Effective date: 1 July 2026</p>	<p>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>		
18	<p>Section 35(1)(u)</p> <p>Income of a ship owner or charter</p> <p>Effective date: 1 July 2026</p>	<p>Section 35(1)(u) reads: gains or profits which are chargeable to tax under section 9(1) derived from the business of a ship owner or charterer;</p>	<p>The Bill proposes to delete the paragraph Section 35(1)(u).</p>	<p>The Bill proposes to delete Section 35(1)(u), which currently subjects income earned by non-resident ship owners or charterers to withholding tax. This provision had only recently been introduced through the Finance Act 2025.</p> <p>The proposed deletion appears to align with the new mechanism under Section 9, which requires the non-resident ship owner or charterer to pay the tax directly within five days of receiving payment or before the ship leaves the port of lading.</p> <p>Accordingly, the proposal does not remove the tax itself but shifts the collection method from withholding tax to a direct payment obligation. The income will continue to be treated as Kenyan-source income and remain subject to tax at the rate of 2.5%, with the responsibility to account for the tax resting on the non-resident ship owner or charterer.</p>

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19	<p>Section 52 – Due date for filing tax returns</p> <p>Effective date: 1 January 2027</p>	<p>Section 52B (1) Notwithstanding any other provision of this Act - (a) every individual chargeable to tax under this Act shall for any year of income commencing with the year of income 1992, furnish to the Commissioner a return of income, including a self assessment of his tax from all sources of income, not later than the last day of the sixth month following the end of his year of income; and every individual chargeable to tax under this Act shall for any year of income commencing with the year of income 1992, furnish to the Commissioner a return of income, including a self assessment of his tax from all sources of income, not later than the last day of the sixth month following the end of his year of income; and</p>	<p>The Bill proposes to amend Section 52B(1)(a) as follows: - (1) Notwithstanding any other provision of this Act - - (a) every individual chargeable to tax under this Act shall for any year of income commencing with the year of income 1992, furnish to the Commissioner a return of income, by the last day of the fourth month following the end of the person’s year of income; and every individual chargeable to tax under this Act shall for any year of income commencing with the year of income 1992, furnish to the Commissioner a return of income, by the last day of the fourth month following the end of the person’s year of income; and,</p> <p>The Bill proposes to introduce a new subsection to section 52B as follows: (1A) Where the tax return submitted</p>	<p>The Bill proposes to reduce the deadline for filing income tax returns from six months to four months after the end of the year of income. It also introduces a new requirement for nil returns to be filed within one month after the end of the year of income.</p> <p>While this aligns with the revenue authority's push for faster compliance and tighter monitoring — and will likely invite greater scrutiny on nil filings — it places significant pressure on taxpayers to close accounts, reconcile tax positions and prepare returns within a compressed timeframe.</p> <p>The global norm for corporate taxpayers generally ranges between 6 to 12 months following the year end, recognising the time needed to finalise audited accounts and complete regulatory obligations.</p> <p>A 4-month deadline is on the shorter end of international practice and is more common for individual taxpayers rather than corporates.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<p>(b) every person, other than an individual chargeable to tax under the Act, shall for any accounting period commencing on or after 1st January, 1992, furnish to the Commissioner a return of income, including a self-assessment of his tax on such income, not later than the last day of the sixth month following the end of his accounting period.</p>	<p>under subsection (1) relates to a nil amount of tax payable, the person required to submit the tax return shall submit the return within one month following the end of the year of income to which the return relates.</p>	
20	<p>First Schedule Capital Gains Exemption — Transfer of Property to REITs.</p> <p>Effective date: 1 January 2027</p>	<p>There was no express capital gains tax exemption for the transfer of property to a Real Estate Investment Trust (REIT) registered by the Commissioner.</p>	<p>A new paragraph 76 is inserted in Part I of the First Schedule to exempt from CGT any capital gains relating to the transfer of property to a REIT registered by the Commissioner under Section 20(1).</p>	<p>This amendment is a significant incentive for the development of the Kenyan REIT market. By exempting the transfer of property into a REIT structure from CGT, the Bill removes one of the principal tax barriers to the seeding of REITs with real property assets. This is expected to stimulate growth in the listed real estate investment sector.</p>
21	<p>Eighth Schedule</p>	<p>Capital gains tax (CGT) on the alienation of shares by a non-resident person was not explicitly</p>	<p>The Bill proposes to introduce a subparagraph as follows: (d) gains derived from the alienation</p>	<p>The proposal significantly expands the offshore Capital Gains Tax framework introduced under the Finance Act, 2023. Under the current framework, CGT on offshore transfers is</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
	<p>Capital Gains Tax — Non-Resident Share Disposals</p> <p>Effective date: 1 July 2026</p>	<p>provided for in circumstances where the shares derive their value from Kenyan assets or where the disposal results in a change of group membership of a Kenyan company.</p>	<p>of shares by a non-resident person where the shares derive their value from Kenya or the alienation results in a change of the group membership of a company resident in Kenya or of ownership of, title in, or interest in property located in Kenya.</p>	<p>triggered only where shares derive more than 20% of their value from immovable property situated in Kenya, or where the seller held at least 20% of the capital of a Kenyan-resident company — both assessed within the 365 days preceding the transfer. These thresholds provided a meaningful filter, limiting the reach of Kenya's CGT to transactions with a substantial Kenyan connection.</p> <p>There is no minimum value threshold, no minimum shareholding requirement, and no materiality filter. In effect, the existing 20% thresholds under the current framework are rendered redundant, as even the most peripheral connection to Kenya would, on the face of it, bring a transaction within scope.</p> <p>This represents a significant shift in Kenya's CGT policy and raises practical concerns around scope, certainty, and enforceability — particularly for foreign investors holding indirect interests in multi-jurisdictional structures that may have only an incidental Kenyan element.</p>
22	Second Schedule —	The Second Schedule provided for a capital allowance of 10% in respect	The Bill amends paragraph 1(1) to clarify that the 10% capital	The proposal clarifies that investment allowance on industrial buildings is to be claimed at a straight-line rate of 10% per

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
	<p>Capital Allowances</p> <p>Effective date: 1 July 2026</p>	<p>of certain qualifying assets under paragraph 1(1)(a)(viii), without specifying the periodicity of the deduction.</p>	<p>allowance is granted per year, in equal instalments.</p>	<p>year in equal instalments. This should improve clarity and reduce ambiguity on the timing of claims.</p>
23	<p>Third Schedule Preferential tax rate for construction of residential houses</p> <p>Effective date: 1 July 2026</p>	<p>Paragraph 2(i) (i) in the case of a company that constructed at least four hundred residential units annually, fifteen per cent for that year of income, subject to approval by the Cabinet Secretary responsible for housing,</p>	<p>The Bill proposes to delete the subparagraph (i).</p>	<p>The Bill proposes to remove the preferential corporation tax rate of 15% available to companies that construct at least 100 residential units annually under the approved affordable housing framework.</p> <p>If enacted, affected companies will revert to the standard corporation tax rate of 30%, significantly increasing their tax burden on qualifying housing income.</p> <p>The proposal represents a major policy shift and may negatively affect large-scale residential developers that had structured their investments around the incentive.</p>
24	<p>Third Schedule Amendment of rates of tax</p> <p>Effective date: 1 July 2026</p>	<p>Paragraph 3(d) (d) in respect of a dividend, fifteen per cent of the amount payable: Provided that the rate applicable</p>	<p>The Bill proposes to delete the proviso to subparagraph (d).</p>	<p>he Bill proposes to remove the reduced withholding tax rate of 5% on dividends paid to residents of East African Community (EAC) Partner States.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		to citizens of the East African Community Partner States in respect of dividend shall be five percent of the gross sum payable.		If enacted, dividends paid to non-residents, including EAC residents, will instead be subject to the standard withholding tax rate of 15%, thereby aligning their treatment with that of other non-resident recipients.
25	Third Schedule Amendment of rates of tax Effective date: 1 July 2026	Not Applicable	The Bill proposes to introduce new subparagraphs to Paragraph 3 as follows: - (x) in respect of the sale of scrap metal, one and a half per cent of the gross amount; (y) in respect of winnings, twenty per cent;	The introduction of withholding tax at 1.5% on the gross proceeds from the sale of scrap metal and 20% on winnings establishes the mechanism for collecting the new taxes. The proposal will increase compliance obligations for payers and may affect pricing in the scrap metal industry as well as reduce net payouts in the gaming sector.
26	Ninth Schedule Taxation of Extractive industries Effective date: 1 July 2026	Not Applicable	The Bill proposes to introduce a new subparagraph to Paragraph 2 of the Ninth Schedule to the ITA as follows: - (4) The non-resident tax rates for repatriated income by a licensee under section 7B shall be fifteen per cent.	The Bill introduces a 15% tax on repatriated income by non-resident contractors and licensees to ensure Kenya retains taxing rights over profits transferred offshore.
27	Ninth Schedule	Paragraph 7(3) (3) The rate of income tax applicable to a contractor is -	The Bill proposes to amend Paragraph 7(3) as follows: - (3) The rate of income tax	The proposal seeks to align the income tax rate for non-resident contractors in the extractive sector with that of resident contractors by reducing the rate from 37.5% to 30%.

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
	Taxation of Extractive industries Effective date: 1 July 2026	(a) in the case of a resident company, thirty per cent; or (b) in the case of a non-resident company, thirty seven and a half per cent.	applicable to a contractor is - - (a) in the case of a resident company, thirty per cent; or - (b) in the case of a non-resident company, thirty per cent.	This may improve tax neutrality and make Kenya more attractive to foreign investors in sectors such as mining, oil, and gas.
28	Ninth Schedule Taxation of Extractive industries Effective date: 1 July 2026	Not Applicable	The Bill proposes to introduce a new subparagraph to Paragraph 7 as follows: - (4) The non-resident tax rates for repatriated income by a contractor under section 7B shall be fifteen per cent.	the Bill introduces a 15% tax on repatriated income by non-resident contractors and licensees to ensure Kenya retains taxing rights over profits transferred offshore. While the amendment provides greater clarity on the applicable tax treatment, the benefit of the lower income tax rate may be partly offset by the new repatriation tax. Investors will therefore need to assess the combined impact of the 30% income tax and the 15% repatriated income tax when evaluating extractive sector investments in Kenya.

PERSONAL TAX

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
PERSONAL INCOME TAX				
29	<p>Section 5(4)(g) Gratuity</p> <p>Effective date: 1 July 2026</p>	<p>This provision exempts gratuity or similar end-of-service payments made by an employer from taxable income, but only where such payments are paid directly into a registered pension scheme. The exemption is however subject to two important limitations:</p> <ul style="list-style-type: none"> • First, the exemption is capped at KES 360,000 per year of service — meaning any amount paid above this threshold in respect of each year of service will be subject to tax in the normal way. • Second, the exemption is not available to employees who already benefit from deductions under Section 22A of the Income Tax Act — which relates to 	<p>The Bill proposes to amend section 5(4)(g) to restrict the tax exemption on gratuity or similar payments made by an employer into a registered pension scheme to instances where the gratuity relates to a contract of service for a continuous period of at least three (3) years.</p> <p>The Bill further proposes to introduce a new paragraph 5(4) (ga) to exempt any contribution to a gratuity in respect of employment or services rendered, provided that:</p> <ol style="list-style-type: none"> I. the gratuity was for a contract of service for a continuous period of at least three (3) years; II. the total contributions does not exceed thirty-one per cent (31%) of the basic salary of the employee; and 	<p>The Bill proposes to revise the tax exemption rules for gratuity contributions by introducing stricter qualifying conditions.</p> <p>Currently, gratuity or similar payments made by an employer into a registered scheme after 1 July 2025 are exempt from tax without any minimum employment period requirement. This allows employers to make tax-exempt gratuity contributions even for short-term or non-continuous employment arrangements.</p> <p>Under the proposed amendment, gratuity contributions will only qualify for tax exemption where:</p> <ul style="list-style-type: none"> • the employee has been engaged under a continuous contract of service for at least three years; • the exempt contribution does not exceed 31% of the employee’s basic salary; and • the employee is not already eligible for deductions for contributions to a registered pension or provident fund.

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<p>registered pension and provident fund contributions.</p> <p>This is an anti-double-dipping measure, ensuring that a taxpayer cannot claim the benefit of both the gratuity exemption and the pension deduction concurrently.</p>	<p>III. this paragraph shall not apply to any person who is eligible for deductions under section 22A.</p>	<p>Where these conditions are not met, the gratuity payments will be treated as taxable employment income.</p> <p>The proposal also expands the exemption beyond registered pension schemes to include other qualifying gratuity schemes, which may encourage employers to contribute towards employee gratuity arrangements, although the exemption will now be subject to the prescribed conditions and limits.</p>
30	<p>First Schedule Income from Pension</p> <p>Effective date: 1 January 2027</p>	<p>Payment of pension benefits from a registered pension fund, registered provident fund, registered individual retirement fund, public pension scheme or National Social Security Fund, upon attainment of the retirement age determined in accordance with the rules of the fund or the scheme:</p> <p>Provided that this exemption shall also apply to—</p> <p>(a) payment of gratuity;</p> <p>(aa) other allowances paid under a public pension scheme;</p>	<p>The Bill proposes to amend the proviso to paragraph 53 of the First Schedule to the ITA by introducing an additional paragraph that extends the exemption to pension benefits paid as a result of the death of a member.</p>	<p>The Bill proposes to extend the existing tax exemption on pension income to pension-related benefits paid to beneficiaries or dependants upon the death of a member of a registered pension fund, provident fund, individual retirement fund, public pension scheme, or the National Social Security Fund.</p> <p>The proposal will provide relief to dependants and beneficiaries by ensuring that pension death benefits are received tax-free. It also supports the policy objective of encouraging retirement savings by preserving accumulated pension benefits for beneficiaries without tax leakage upon the death of a member.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<p>(b) payment of a retirement annuity; or (c) withdrawals from the fund prior to attaining the retirement age due to ill health; or withdraws from the fund after the twenty years from the date of registration as a member of the fund.</p>		
31	<p>Sec 15 Interest on housing loan by CBK</p> <p>Effective date: 1 July 2026</p>	<p>Not Applicable</p> <p>Section 15 of the ITA permits an employee to deduct mortgage interest up to KES 300,000 per annum in respect of loans from specified financial institutions for the construction, purchase or improvement of an owner-occupied residential house.</p>	<p>The Bill proposes to amend Section 15(2) by inserting a new paragraph (af) immediately after paragraph (ae), to allow, in the case of an employee, a deduction of the amount of interest, not exceeding three hundred and sixty thousand shillings (KES 360,000) per annum, paid on a loan advanced by the Central Bank of Kenya for the construction, purchase or improvement of a house occupied by the employee.</p>	<p>The proposal extends mortgage interest relief to employees with housing loans from the Central Bank of Kenya (“CBK”), giving them the same tax treatment as employees borrowing from commercial banks.</p> <p>Previously, CBK employees were not eligible for the relief because the CBK was not among the qualifying financial institutions listed under the Income Tax Act.</p>

VAT

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
PART III — VALUE ADDED TAX				
32	<p>Section 2</p> <p>Deletion of certain Definitions</p> <p>Effective date: 1 January 2027</p>	<p>“assessment” means—</p> <p>(a) a self-assessment return submitted under section 45;</p> <p>(b) an assessment made by the Commissioner under section 45;</p> <p>Or (c) an amended assessment under section 46;</p> <p>“information technology” means any equipment or software for use in storing, retrieving, processing or disseminating information;</p> <p>“tax computerized system” means any software or hardware for use in storing, retrieving, processing or disseminating information relating to tax</p>	<p>The Bill proposes the following definitions;</p> <ul style="list-style-type: none"> • assessment; • information technology; and • 3. tax computerized system. 	<p>The proposal removes the definition of “assessment” from the VAT Act to eliminate duplication, since the term is already defined under the Tax Procedures Act and applies uniformly across tax laws.</p> <p>It also deletes the definitions of “information technology” and “tax computerized system”, reflecting a shift towards more modern terminology in the VAT framework, such as digital marketplaces and electronic services.</p>
33	<p>Section 13</p> <p>VAT – Hire Purchase</p>	<p>Sub-section 6(a)</p> <p>In the case of goods supplied under a hire purchase agreement, the</p>	<p>6(a) and substitute it with the following new paragraph—</p>	<p>The proposal seeks to clarify the VAT treatment of financial charges under hire-purchase arrangements by limiting the VAT exclusion to agreements issued by licensed hire-purchase</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
	financial charges Effective date: 1 July 2026	financial charges relating to the credit provided under the agreement are excluded from VAT.	(a) in the case of a supply of goods from a person licenced to carry on hire purchase business under a hire purchase agreement registered in accordance with the Hire Purchase Act, any financial charge payable in relation to the supply of credit under the agreement.	providers and properly registered under the Hire Purchase Act. As a result, taxpayers must ensure that hire-purchase agreements meet these requirements; otherwise, the full amount, including the financing element, may become subject to VAT at 16%.
34	Input Tax Adjustment on Supplies Becoming Exempt Effective date: 1 July 2026	There was no specific provision in the VAT Act addressing the treatment of input tax already claimed on supplies that subsequently become exempt.	The Bill proposes to introduce a new section immediately after section 17 which provides that: 17A. (1) Where, on the date taxable supplies by a registered person become exempt and the person has deducted input tax on such supplies but the supplies remain unsold, the person shall account for an amount equal to the input tax relating to the supplies which remain unsold in the tax return of the period when the taxable supply became exempt.	The proposed Section 17A addresses a gap in the VAT Act whereby registered persons who claimed input tax on supplies that subsequently became exempt — and remain unsold — were not expressly required to reverse those credits. The amendment closes this by requiring such persons to account for the input tax attributable to the unsold exempt supplies in the tax period in which the exemption takes effect. Importantly, the reversal is computed using the same method originally applied when the input tax was claimed. Where apportionment was used, the same apportionment basis applies, ensuring that only the portion of input tax actually claimed is subject to adjustment — no more, no less.

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
			<p>(2) When accounting for input tax under subsection (2), the person shall use the method used when input tax was deducted in respect of the supplies before the date the supplies became exempt.</p> <p>(3) Where the adjustment results in excess input tax, the person shall be liable to pay the resulting tax to the Commissioner.</p>	<p>In practical terms, the amendment prevents businesses from retaining VAT input tax credits on stock that no longer qualifies as taxable, thereby protecting revenue and bringing greater consistency and fairness to the treatment of input tax across the VAT system.</p>
35	<p>Sec 31 VAT Refund on bad debt</p> <p>Effective date: 1 July 2026</p>	<p>Section 31(1)(a) of the VAT Act provided for a refund claim on bad debt period of two years.</p>	<p>The Bill proposes to amend section 31(1) by deleting the words “two years” under paragraph (a) immediately after the words “period of” and substituting the words “three years”.</p>	<p>The proposed extension may have significant cash flow implications for taxpayers, as they will be required to wait longer before claiming VAT refunds. Since VAT must be paid to KRA upfront, extending the refund claim period from two to three years will increase the period during which taxpayers finance unrecovered VAT, placing additional pressure on cash flows.</p>
36	<p>Sec 42 Tax invoice requirements</p> <p>Effective date: 1 July 2026</p>	<p>A registered VAT person is required to issue a tax invoice to the purchaser at the time of every supply, containing all the prescribed details.</p>	<p>The Bill proposes to amend section 42 as follows:</p> <p>(a) in subsection (1), by deleting the word “registered person” appearing immediately after the expression “subsection (2), a”</p>	<p>The proposed amendment to Section 42 makes two changes.</p> <p>First, by replacing "registered person" with "person" in subsection (1), the invoicing obligation is extended beyond VAT-registered taxpayers to any person required to issue a fiscalised tax invoice under the TIMS/eTIMS framework.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<p>However, a tax invoice cannot be issued in two situations — where the supply is exempt or otherwise not subject to VAT, or where the person issuing the invoice is not registered for VAT.</p> <p>In essence, only registered persons making taxable supplies are permitted to issue tax invoices.</p>	<p>and substituting therefor the word “person”;</p> <p>(b) by deleting subsection (2) and substituting therefor the following new subsection—</p> <p>(2) An invoice showing an amount that purports to be tax shall only be issued in respect of a taxable supply.</p>	<p>Second, the revised subsection (2) reinforces the fundamental VAT principle that tax may only be charged on a taxable supply.</p>
37	<p>Section 66</p> <p>Repeal of tax avoidance schemes</p> <p>Effective date: 1 July 2026</p>		<p>The Bill proposes to repeal section 66 of the VAT Act.</p>	<p>Section 66 empowered the Commissioner to determine the tax liability of any person who entered into or carried out a scheme for the sole or dominant purpose of obtaining a tax benefit. Where such a scheme was identified, the Commissioner could assess and determine the tax liability as if the scheme had never been entered into or carried out.</p> <p>However, it is worth noting that general anti-avoidance provisions remain available under the Tax Procedures Act, which contains broader powers applicable across all tax heads.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
38	First Schedule para 99 VAT-Free Allowance Effective date: 1 July 2026	Goods up to USD 300 per traveller (subject to other conditions) were exempt when imported as accompanied baggage by travellers outside Kenya for more than 24 hours.	The Bill Proposes to Increase the VAT-Free Allowance threshold for Returning Passengers from USD 300 to USD 2,000.	The proposal is expected to reduce the tax burden on returning passengers by increasing the value of goods that can be brought into the country without attracting VAT.
39	Second Schedule Part II Money Transfer and Payment Processing — VAT Exemption Revised Effective date: 1 July 2026	The issue, transfer, receipt or any other dealing with money, including money transfer services, was exempt from VAT under Part II, Paragraph 1 of the First Schedule.	The Bill proposes to amend Paragraph 1 by deleting subparagraph (b) and substituting therefor the following new subparagraph— (b) the issue, transfer, receipt or any other dealing with money, including money transfer services, and accepting over the counter payments of household bills, but does not include— (i) the services of carriage of cash, restocking of cash machines, sorting or counting of money; and (ii) money transfers, payment	The Bill proposes to expand and clarify the VAT treatment of financial and payment-related services. Under the amendment, services involving the issue, transfer, receipt, or handling of money — including money transfer services and over-the-counter bill payments — will continue to qualify as exempt financial services. However, the exemption will not apply to: <ul style="list-style-type: none"> • cash handling services such as transportation, restocking ATMs, sorting, or counting cash; and • digital payment and processing services provided by payment service providers for a fee or commission, including money transfer, payment processing, settlement, merchant acquiring, gateway, and

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
			<p>processing, settlement, merchants acquiring, gateway or aggregation services supplied over a software or platform for a fee or commission by a payment service provider;</p>	<p>aggregation services provided through software or digital platforms.</p> <p>In practice, this means that while traditional financial transactions remain VAT exempt, many technology-driven payment processing and digital transaction services may become subject to VAT.</p>
40	<p>First Schedule Para 25 – services of tour operator</p> <p>Effective date 1 July 2026</p>	<p>The services of tour operators, excluding in-house supplies are exempt.</p>	<p>The Bill proposes updates to paragraph 25 of Part II of the First Schedule to define “tour operators” as <i>a tour or safari operator licensed as such by the competent authority responsible for regulating and overseeing the tourism sector.</i></p> <p>Additionally, the bill proposes to define “in house supplies” as <i>supplies made from a tour operator’s own resources; or bought from third parties but materially altered so that the supply made is substantially different to that purchased.</i></p>	<p>Under the proposal, only entities licensed by the relevant tourism regulatory authority will qualify as tour operators for purposes of the exemption.</p> <p>The Bill also clarifies that in-house supplies include services provided using the operator’s own resources or services significantly transformed after being sourced from third parties. Such supplies will remain taxable and outside the exemption.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
41	<p>First Schedule Para 26 – Construction of tourism facilities</p> <p>Effective date 1 July 2026</p>	<p>Taxable services for direct and exclusive use for the construction of tourism facilities, recreational parks of fifty acres or more, convention and conference facilities upon the recommendation by the Cabinet Secretary responsible for matters relating to recreational parks are exempt from VAT.</p>	<p>The Bill proposes to delete para 26 of part II of the First Schedule.</p>	<p>Services previously under para 26 are now fall under standard rate of 16% VAT.</p> <p>Developers and investors in tourism infrastructure, large recreational parks, and convention facilities will face a materially higher cost of construction, as VAT on services — which previously did not form part of the project cost — will now need to be absorbed or passed on.</p>
42	<p>First Schedule Para 39 Public-Private Partnership</p> <p>Effective date 1 July 2026</p>	<p>Not Applicable</p>	<p>The Bill proposes to exempt supply of services for the direct and exclusive use in the implementation of infrastructure projects undertaken under a public private partnership framework, upon approval by the Cabinet Secretary on the recommendation of the Cabinet Secretary for the Ministry responsible for the implementation of the project.</p>	<p>The Bill proposes to exempt from VAT all services directly and exclusively used in the implementation of infrastructure projects undertaken under a Public Private Partnership (PPP) framework. The exemption is not automatic — it requires approval by the Cabinet Secretary responsible for finance, on the recommendation of the Cabinet Secretary of the ministry overseeing the specific project.</p> <p>By exempting such services, the proposal reduces the overall cost of PPP infrastructure delivery, making such projects more financially viable and attractive to private sector investors and project financiers.</p>

43 Zero Rate to Exempt

The Bill has proposed to amend the following items by moving them from zero-rated to exempt: (Effective date: 1 July 2026)

Particulars	Description	Proposed Finance Bill 2026	Existing
Sch 1-para 160	Inputs or raw materials locally purchased or imported for the manufacture of animal feeds upon recommendation by the Cabinet Secretary for the time being responsible for matters relating to agriculture	Exempt	0%
Sch 1-para 161	Inputs or raw materials locally purchased or imported for the manufacture of pharmaceutical products upon recommendation by the Cabinet Secretary for the time being responsible for matters relating to health.	Exempt	0%
Sch 1-para 162	Transportation of sugarcane from farms to milling factories.	Exempt	0%
Sch 2-para 29	The supply of locally assembled and manufactured mobile phones	Exempt	16%
Sch 1-para 164	The supply of motorcycles of tariff heading 8711.60.00	Exempt	0%
Sch 1-para 165	The supply of electric bicycles.	Exempt	0%
Sch 1-para 166	The supply of solar and lithium-ion batteries.	Exempt	0%
Sch 1-para 167	The supply of electric buses of tariff heading 87.02.	Exempt	0%
Sch 1-para 168	Bioethanol vapour (BEV) Stoves classified under HS Code 7321.12.00 (cooking appliances and plate warmers for liquid fuel).	Exempt	0%

44 Exempt to Standard Rate

The Bill has proposed to amend the following items by moving them from exempt to 16% VAT: (Effective date: 1 July 2026)

Particulars	Description	Proposed Finance Bill 2026	Existing
Sch1-para 49	All goods and parts thereof of chapter 88;	16%	Exempt
Sch1-para 51	Taxable goods imported or purchased for direct and exclusive use in the implementation of official aid funded projects excluding fuels, lubricants spare parts and tyres for vehicles upon approval by the Cabinet Secretary responsible for the National Treasury Provided that an exemption that had been granted before 30th June 2026 the exemption shall remain in force until the completion of the project.	16%	Exempt
Sch1-para 58	Direction-finding compasses, instruments and appliances for aircraft.	16%	Exempt
Sch1-para 62	Taxable goods for direct and exclusive use for the construction of tourism facilities, recreational parks of fifty acres or more, convention and conference facilities upon recommendation by the Cabinet Secretary responsible for matters relating to recreational parks.	16%	Exempt
Sch1-para 109	Goods imported or purchased locally for the direct and exclusive use in the construction of houses under an affordable housing scheme approved by the Cabinet Secretary on the recommendation of the Cabinet Secretary responsible for matters relating to housing.	16%	Exempt

45 Standard Rate to Exempt

The Bill has proposed to amend the following items by moving them from 16% VAT to exempt: (Effective date: 1 July 2026)

Particulars	Description	Proposed Finance Bill 2026	Existing
Sch1-para 158	Dialyzers of tariff number 8421.29.00	Exempt	16%
Sch1-para 159	Scrap metal.	Exempt	16%
Sch 1-para 163	The supply of imported or locally purchased telephones for cellular networks and other wireless networks. (additionally – excise duty is introduced at 25%)	Exempt	0%
Sch1-para 169	Worn clothing and other worn articles of tariff heading 6309, other than upon importation.	Exempt	16%
Sch1-para 170	The supply of goods for the direct and exclusive use in the implementation of infrastructure projects undertaken under a public private partnership framework, upon approval by the Cabinet Secretary on the recommendation of the Cabinet Secretary for the Ministry responsible for the implementation of the project.	Exempt	16%

EXCISE DUTY

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
PART IV — EXCISE DUTY				
46	Section 2 New definition of antique, vintage or classic vehicle Effective date 1 July 2026	Not Applicable	The Bill proposes to add following new definition – (b) by inserting the following new definition in proper alphabetical sequence - “antique, vintage or “classic vehicle” means a motor vehicle whose year of first registration is at least thirty years before the date of purchase of the motor vehicle and whose value is at least ten million shillings exclusive of depreciation.	The new definition of antique, vintage, and classic vehicles creates a basis for separate excise tax treatment of high-value collectible cars, recognizing them as a unique luxury category for taxation purposes.
47	Excise Duty on Cellular Phones — Shift to Activation Trigger Effective date: 1 January 2027	Excise duty on imported cellular phones was payable at the point of importation at the rate applicable to the import. The duty applied to 'imported cellular phones' specifically.	The Bill proposes to amend section 6 of the EDA by inserting the following new subsection immediately after subsection (4)— (4A) Despite subsections (1) and (4), the liability of an importer or a licensed manufacturer for excise duty on a locally purchased or	Currently, excise duty on imported phones is payable at importation, and on locally manufactured phones, upon removal from the factory. The Bill proposes a fundamental shift by moving the tax point for cellular and wireless network devices to the moment of activation on a network, rather than at the point of supply.

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
			<p>imported telephones for cellular networks and other wireless networks shall arise at the time of the activation of the phone.</p> <p>(4B) The Cabinet Secretary may make regulations for the better carrying out of subsection (4A).</p>	<p>However, the proposal raises practical concerns around how activations will be tracked, who will be responsible for accounting and remitting the duty, and when payment falls due. These are material implementation gaps that will need to be addressed through regulations, which the Bill empowers the Cabinet Secretary to issue.</p>
48	<p>Imported cellular phones</p> <p>Effective date: 1 January 2027</p>	<p>Imported cellular phones 10%</p>	<p>The Bill proposes to delete the description ‘imported cellular phones’ and the corresponding rate of excise duty and substituting therefor the following new description and rate of excise duty—</p> <p><i>Tariff Description: Telephones for cellular networks and other wireless networks of tariff heading 8517.</i></p> <p><i>Rate of excise duty: 25% of the excisable value.</i></p>	<p>The removal of the word "imported" means the excise duty will now apply to both imported and locally manufactured cellular and wireless network devices, closing what was effectively a gap that favoured locally assembled devices over imported ones.</p> <p>The revised description also captures a wider range of wireless network devices beyond traditional mobile phones.</p> <p>Under the new proposal, excise duty will be charged at 25% of the excisable value of these devices.</p>
49	<p>Excise on fruit and vegetable juices</p>	<p>Fruit juices (including grape must), and vegetable juice, unfermented and not containing added spirit,</p>	<p>The Bill proposes to delete the description ‘fruit juices (including grape must) and vegetable juice,</p>	<p>Producers and importers of sweetened juices will face higher excise taxes, which may lead to higher retail prices and encourage consumers to switch to unsweetened products.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
	<p>Effective date 1 July 2026</p>	<p>whether or not containing added sugar or other sweetening matter Shs. 14.14 per litre</p>	<p>unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter’ and the corresponding rate of excise duty;</p> <p>It also proposes to introduce Fruit juices (including grape must) and vegetable juice, unfermented and not containing added spirit. Ksh. 14.14 per litre</p> <p>Fruit juices (including grape must) and vegetable juice, unfermented, containing added sugar or other sweetening matter and not containing added spirit Kshs. 20 per litre</p>	
50	<p>Bottled water and other non alcoholic beverages</p>	<p>Bottled or similarly packaged waters and other non-alcoholic beverages, not including fruit or vegetable juices. Shs. 6.41 per litre</p>	<p>The Bill proposes to amend the description ‘bottled or similarly packaged waters and other non-alcoholic beverages, not including fruit or vegetable juices’, by deleting</p>	<p>The term “bottled or similarly packaged water” was added to the excise duty law in July 2018. The proposed amendment removes drinking water from the excise duty category, meaning bottled water will no longer attract excise duty.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
	Effective date 1 July 2026		the words ‘bottled or similarly packaged waters and other’ appearing immediately before the words ‘non-alcoholic beverages, not including fruit or vegetable juices’;	Excise duty will still apply to other non-alcoholic beverages (except fruit and vegetable juices) at the current rates, so there will be no major impact on the wider beverage sector.
51	Beer and similar low strength alcoholic beverages – proviso Effective date 1 July 2026	Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages - Ksh. 500 per litre	The Bill proposes two amendments: 1) Remove the wording that limits the product to alcohol “purchased by licensed manufacturers of spirituous beverages.” 2) Replace the current excise duty rate with a new rate of KShs. 80 per litre.	The proposed changes greatly reduce the excise duty charged on extra neutral alcohol (ENA), which is a key raw material used in making spirits. Currently, ENA used by licensed spirit manufacturers is taxed at KES 500 per litre. The Bill proposes reducing this rate to KES 80 per litre. It also removes the wording that limited the tax treatment only to ENA purchased by licensed spirit manufacturers.
52	Tobacco – cigars, cheroots, cigarillos Effective date 1 July 2026	Cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes Shs. 16,260.29 per kg	The Bill proposes to amend the description ‘cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes’ by deleting the corresponding rate of excise duty and substituting therefor the new rate of excise duty of ‘Ksh. 18,000 per kg’;	Importers and manufacturers of premium tobacco will face higher excise duty costs, which may reduce profit margins or lead to higher retail prices and lower demand for premium tobacco products.

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
53	Tobacco – other manufactured tobacco and substitutes Effective date 1 July 2026	Other manufactured tobacco and manufactured tobacco substitutes; “homogeneous” and “reconstituted tobacco”; tobacco extracts and essences - Kshs. 11,382.48	The Bill proposes to amend the description ‘other manufactured tobacco and manufactured tobacco substitutes; ‘homogeneous’ and ‘reconstituted tobacco’; tobacco extracts and essences’ by deleting the corresponding rate of excise duty and substituting therefor the following new rate of excise duty ‘Ksh. 12,550 per kg’;	Manufacturers of tobacco substitutes will face higher taxes, which may reduce profits and increase consumer prices for these products.
54	Sugar confectionery – tariff 17.04 Effective date 1 July 2026	Imported sugar confectionery of tariff heading 17.04; KSh. 85.82 per kg	The Bill proposes to delete the word “imported” in the description	The removal of the word “imported” means that excise duty will now apply to all sugar confectionery under HS Code 17.04, including both imported and locally manufactured products, at a rate of KSh 85.82 per kilogram. This creates equal tax treatment for local and imported confectionery products. However, local manufacturers who were previously not subject to this duty will now face higher tax costs, which may lead to increased retail prices for consumers.
55	Imported articles of plastic – tariff 3923.30.00 and	Imported Articles of plastic of tariff heading 3923.30.00 and 3923.90.90 - Excise duty 10%	The Bill proposes to deleted the description and added the following new description:	The word “imported” was previously removed in 2024, brought back in the Finance Act, 2025, and is now proposed to be removed again. As a result, the 10% excise duty will apply to all qualifying plastic packaging products under HS

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
	<p>3923.90.90 (existing combined line)</p> <p>Effective date 1 July 2026</p>		<p>Articles of plastic of tariff heading 3923.30.00 and 3923.90.90 Rate of excise duty 10%</p>	<p>Codes 3923.30.00 and 3923.90.90, whether imported or locally manufactured.</p> <p>This means local manufacturers, in addition to importers, will now be subject to excise duty on these plastic packaging materials, increasing production and packaging costs for many goods.</p>
56	<p>Ceramics – Tariff 6910</p> <p>Effective date 1 July 2026</p>	<p>Imported Ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures of tariff heading 6910 - 5% of custom value or KSh. 50 per kg</p>	<p>The Bill proposes to amend the basis for computing excise duty on the following items as follows:</p> <ul style="list-style-type: none"> • Imported ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals, and similar sanitary fixtures under tariff heading 6910 from 5% of the customs value or KES 50 per kilogram to 5% of the excisable value; and • Imported ceramic flags and paving, hearth or wall tiles; 	<p>The introduction of a uniform 5% ad valorem excise duty may reduce the tax burden on lower-value ceramic imports, potentially leading to lower prices for consumers. However, this could increase competition for local manufacturers, as imported products may become more affordable, thereby reducing the protective advantage previously enjoyed by domestic producers.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
			<p>unglazed ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics of tariff 6907 from 5% or KES 300 per square metre, whichever is higher, to 5% of the excisable value.</p>	
57	<p>Introduction of excise duty on various imported goods originating from the EAC</p> <p>Effective date 1 July 2026</p>	<p>The current provision provides excise duty relief for certain qualifying imports by exempting goods imported from East African Community (EAC) Partner States, provided they meet the EAC Rules of Origin requirements. The list is as follows:</p> <ul style="list-style-type: none"> • Imported Glass bottles (excluding imported glass bottles for packaging of pharmaceutical products); • Imported furniture of tariff heading 9403; 	<p>The Bill proposes to amend the First Schedule to the EDA by deleting the proviso that excludes various imported goods originating from the EAC Partner States that meet the EAC Rules of Origin from the ambit of excise duty.</p>	<p>The Excise Duty Act currently exempts certain goods imported from EAC Partner States from excise duty, in line with the EAC Customs Union Protocol, which requires equal tax treatment between imported and locally produced goods.</p> <p>The proposed amendment removes this exemption, meaning qualifying goods from EAC Partner States would now attract excise duty. This could result in unequal tax treatment and may conflict with Article 15 of the EAC Customs Union Protocol.</p> <p>From a trade perspective, the change may create a tax barrier to trade within the EAC, discourage cross-border trade in the affected goods, and negatively affect regional economic integration.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<ul style="list-style-type: none"> • Imported printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00; • Imported plates of plastic of tariff heading 3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90; • Imported paper or paper board, labels of all kinds whether or not printed of tariff heading 4821.10.00 and 4821.90.00; • Imported printing ink of tariff 3215.11.00 and 3215.19.00; • 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 imported by a registered processor upon 		

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<p>the recommendation by the Cabinet Secretary responsible for matter relating to industry;</p> <ul 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 poly (ethylene terephthalate) of polycarbonates, alkyd resins, polyallyl esters or other polyesters of other 		

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<p>plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly of tariff number 3920.62.90;</p> <ul style="list-style-type: none"> • Imported printed cellular of other plastics of other plates, sheets, film, foil and strip of tariff number 3921.19.90; • Imported printed self-adhesive paper of tariff number 4811.41.90; • Imported gummed paper and paperboard of tariff number 4811.49.00; • Imported Uncoated kraft paper and paperboard, in rolls or sheets; kraftliner; unbleached of tariff number 4804.11.00; • Imported other kraft paper or paperboard weighing 		

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<p>150g/m² or less, in rolls or sheets; unbleached of tariff number 4804.31.00;</p> <ul style="list-style-type: none"> • Imported other kraft paper or paperboard weighing more than 150g/m² but less than 225 g/m², in rolls or sheets; unbleached of tariff number 4804.41.00; • Imported other kraft paper or paperboard weighing 225 g/m² or more others in rolls or sheets; unbleached of tariff number 4804.51.00; • 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; 		

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<ul style="list-style-type: none"> Imported safety glass of tariff numbers 7007.19.00 and 7007.29.00; and Imported Multiple-walled insulating units of glass of Tariff Heading 70.08 		
58	Coal Effective date 1 July 2026	Not Applicable	The Bill proposes to include the following under 37(a)(xxxiv): “by adding the following new tariff descriptions - Coal Rate of excise duty 5% of the excisable value”	Industries that use coal, such as manufacturing and energy companies, will face higher excise duty costs as coal is being reintroduced into the Excise Duty Act at a rate of 5% of excisable value. Previously, coal had been removed from excise duty in the Finance Act, 2025, after being taxed at 2.5% of customs value.
59	excise duty on antique, vintage and classic vehicles Effective date 1 July 2026	Not Applicable	The Bill proposes to introduce excise duty on antique, vintage and classic vehicles to a rate of 50% of the excisable value. <ul style="list-style-type: none"> The Bill further proposes to define “antique, vintage or “classic vehicle” as a motor vehicles whose year of first registration is at least thirty years before the date of purchase of 	Currently, motor vehicles, including antique, vintage, and classic cars, attract excise duty ranging from 10% to 35%. The proposed amendment will increase the excise duty to 50% for vehicles that are over 30 years old and valued above KES 10 million.

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
			<p>the motor vehicle and whose value is at least ten million shillings exclusive of depreciation.</p>	
60	<p>Excise Duty on Gambling — Definition of 'Amount Deposited'</p> <p>Effective date 1 July 2026</p>	<p>Excise duty on betting and gambling applied to amounts deposited into a customer's betting or gambling wallet. The definition of 'amount deposited' was linked to the wallet concept under the prior Gambling Act framework.</p>	<p>The Bill proposes to amend the basis for computing excise duty on betting and gaming activities from amount deposited into a customer's betting wallet to amount deposited for betting or gambling purposes.</p> <ul style="list-style-type: none"> • The Bill further proposes to delete the proviso under Paragraph 4A, thereby bringing betting on horse racing within the ambit of excise duty. 	<ul style="list-style-type: none"> • The amendments change the basis of excise duty from only taxing money deposited into betting wallets to taxing any value used for betting or gambling purposes. • This expands the tax scope to include bonuses, free bets, credits, tokens, chips, and other non-cash betting value, whether or not they are held in a wallet or account. • The inclusion of horse racing also broadens the scope of the tax further.
61	<p>Excise duty on virtual asset transactions</p> <p>Effective date 1 July 2026</p>	<p>Paragraph 9 of Part II of the First Schedule to the EDA refers to "virtual asset providers"</p>	<p>The Bill proposes to amend the EDA by replacing reference to "virtual asset providers" with "virtual asset service providers."</p> <p>Additionally, the Bill proposes to amend the EDA by introducing definitions of "virtual asset" and</p>	<ul style="list-style-type: none"> • The Excise Duty Act currently charges excise duty at 10% on fees earned from virtual asset transactions by "virtual asset providers." The Bill changes this term to "virtual asset service providers" to align with the Virtual Asset Service Providers Act, 2025 and clarify that the tax applies to businesses providing virtual asset-related services.

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
			<p>“virtual asset service provider” referencing the meanings assigned to these terms under the Virtual Asset Service Providers Act, 2025.</p>	<ul style="list-style-type: none"> Although the 10% excise duty was introduced under the Finance Act, 2025, the law did not previously define “virtual asset” or “virtual asset service provider.” The Bill now adopts definitions from the Virtual Asset Service Providers Act, 2025.

TAX PROCEDURES ACT

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
PART V — TAX PROCEDURES ACT (TPA)				
62	<p>Section 3(1) Deletion of the definition of “certificate of origin</p> <p>Section 44A Deletion</p> <p>Effective date 1 July 2026</p>	<p>“certificate of origin” means 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.</p>	<p>The Bill proposes to delete the definition.</p> <p>Further it proposes to repeal Section 44A, which presently requires that all goods imported into Kenya must be accompanied by a valid Certificate of Origin (“COO”).</p>	<p>The removal of the definition of “certificate of origin” shows a policy shift to place rules on origin documentation under customs laws, particularly the East African Community Customs Management Act (EACCMA) and related regulations.</p> <p>This change eliminates duplication in the Tax Procedures Act and confirms that the Commissioner will rely on customs laws when enforcing origin-related requirements, especially during audits and post-clearance reviews.</p>
63	<p>Section 3(1) New Definition - virtual asset</p> <p>Effective date: 1 July 2026</p>	<p>Not Applicable</p>	<p>The Bill proposes to amend the TPA to introduce the following definition: “virtual asset” has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2015.</p> <p>“virtual asset service provider” has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025</p>	<p>By aligning the definition with the Virtual Asset Service Providers Act, 2025, the amendment clarifies which entities fall under the Tax Procedures Act’s reporting, record-keeping, and enforcement requirements for virtual asset transactions.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
64	<p>Section 6(c) and Sec 6(d)</p> <p>Virtual Asset Service Providers — Information Returns</p> <p>Effective date: 1 July 2026</p>	Not Applicable	<p>A new Section 6C is inserted requiring each virtual asset service providers (VASP) to file an annual information return with the Commissioner in respect of all virtual-asset users with which it maintains a relationship, where those users are identified as reportable users or have controlling persons that are reportable persons. The obligation applies to VASPs that facilitate exchange transactions or provide trading platforms. Penalties for non-compliance is also introduced.</p> <p>A new Section 6D further provides for international automatic exchange of information agreements relating to virtual asset transactions.</p>	<p>This proposal extends the reporting and automatic exchange of information obligations — already applicable to financial institutions under the Common Reporting Standards (CRS) introduced five years ago — to virtual asset service providers. The move reflects the growing shift from traditional financial instruments to crypto assets and aligns Kenya with international developments, particularly the OECD's Crypto-Asset Reporting Framework (CARF), which provides a global standard for exchanging information on virtual asset transactions between tax authorities.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
65	<p>Section 10 Re-registration of taxpayers after deregistration</p> <p>Effective date: 1 July 2026</p>	Not Applicable	<p>The Bill proposes to amend Section 10 of the TPA by the addition of the following subsections:</p> <p>(9) Where a person who was deregistered under this section qualifies for registration under section 8, shall apply to the Commissioner for reinstatement of the registration.</p> <p>(10) Where the Commissioner is satisfied that the applicant under subsection (9) is liable for tax under a tax law, the Commissioner shall register the person and issue the person the same PIN that had been issued to the person prior to the deregistration.</p>	<p>The proposal addresses a long-standing administrative inefficiency by allowing taxpayers who need to re-register for tax to have their existing PIN reinstated upon written application to the Commissioner, rather than applying for an entirely new PIN. This is a welcome and practical improvement that reduces the administrative burden on taxpayers and streamlines the re-registration process.</p>
66	Section 12 Non-resident person PIN	Presently, the TPA requires persons opening accounts with financial	The Bill proposes to exempt non-residents from this mandatory	The proposal reduces procedural barriers for non-resident investors accessing Kenya's capital markets by separating

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
	Effective date: 1 July 2026	institutions and investment banks to have a PIN.	requirement in respect of investment banks.	account opening requirements from broader tax registration obligations.
67	Section 18A Power of the Commissioner in relation to tax avoidance schemes Effective date: 1 July 2026	Not Applicable	<p>The Bill proposes to consolidate the existing tax avoidance provisions currently scattered across the Income Tax Act and the VAT Act into a single unified provision under the Tax Procedures Act, creating a more coherent and centralised anti-avoidance framework.</p> <p>The consolidated provision significantly strengthens the Commissioner's enforcement powers in three key respects.</p> <ol style="list-style-type: none"> 1. The Commissioner is empowered to draw on a wide range of data sources already in the revenue authority's possession — including eTIMS, withholding tax, PAYE, and audit 	<p>The proposed use of eTIMS, PAYE, withholding tax, and audit data to support assessments reflects a broader and welcome shift towards technology-driven tax administration, consistent with ongoing initiatives such as prepopulated VAT and income tax returns. However, the accuracy of the underlying data will be critical — inaccurate data will inevitably generate disputes and place significant administrative burden on both taxpayers and the revenue authority in resolving them.</p> <p>Unlike other assessment provisions in the TPA which are subject to a five-year time limitation, the proposed provision does not appear to include a similar cap. This gap should be addressed before the Bill is enacted, as an open-ended assessment window poses a material risk to taxpayer rights and certainty.</p> <p>While Kenya has had specific anti-avoidance rules(GAAR), this provision introduces a overarching rules of the type found in South Africa, Australia, and the UK.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
			<p>data — to make determinations on tax avoidance.</p> <p>2. The Commissioner may issue assessments based on this information within a five-year window from the end of the period to which the determination relates.</p> <p>3. The ability to cross-reference multiple data streams enhances the KRA's capacity to detect and challenge avoidance arrangements that may not be apparent from a single source of information.</p>	
68	<p>Section 29A Power of Commissioner to originate an Assessment</p> <p>Effective date: 1 July 2026</p>	<p>The Commissioner had powers to issue assessments, but the information sources on which the Commissioner could rely were not comprehensively codified.</p>	<p>A new Section 29A formally codifies the Commissioner's power to issue assessments and specifies the information sources that may be relied upon, including withholding tax returns, electronic system data, KRA submissions, inspection records, audit records, and the data</p>	<p>The codification of information sources strengthens the Commissioner's evidential basis for assessments and reduces the risk of challenge on procedural grounds. Taxpayers should be aware that data held across multiple KRA systems — including e-TIMS and third-party reporting mechanisms — can be used as the foundation for an assessment without the need for a formal audit.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
			management and reporting system under Section 59A.	
69	<p>Section 37E Amnesty of interest, penalties or fines on unpaid tax</p> <p>Effective date: 1 July 2026</p>	<p>Section 37E provided for a tax amnesty on interest and penalties in respect of principal taxes due before 31 December 2023, with payment of outstanding principal taxes required by 30 June 2025.</p>	<p>The Bill proposes to amend Section 37E of the TPA to re-introduce the tax amnesty programme, which lapsed on 30 June 2025.</p> <ul style="list-style-type: none"> • Under the programme, taxpayers will be entitled to seek full remission of penalties and interest on unpaid tax that had accrued up to 31 December 2025, precedent on the condition that all the principal tax due will be cleared by 31 December 2026. • In addition, any penalties and interest relating to principal taxes which had been paid in full before 31 December 2025 shall be automatically waived. 	<p>The Bill proposes to reintroduce a tax amnesty covering all tax obligations for periods up to 31st December 2025, following the expiry of the previous amnesty on 30th June 2025 which covered liabilities up to 31st December 2024.</p> <p>The amnesty operates on two tracks:</p> <ul style="list-style-type: none"> • Taxpayers who have fully settled their principal taxes accrued up to 31st December 2025 will automatically qualify for a full waiver of all related penalties and interest, with no formal application required. • Taxpayers with outstanding principal taxes may still benefit from a waiver of penalties and interest, provided they apply to the Commissioner and enter into a structured payment plan that ensures full settlement of all outstanding principal taxes by 31st December 2026.
70	<p>Section 39A Deletion of waiver on principal tax</p>	<p>(2) Despite subsection (1), a person who does not deduct, withhold or remit tax on a payment shall not be required to pay the principal tax not</p>	<p>The Bill proposes to delete this section.</p>	<p>The Bill proposes to remove section 39A(2), which currently protects withholding agents from paying principal tax where the recipient of the income has already declared and paid that tax. This relief was introduced through the Finance Act, 2025</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
	<p>not deducted, withheld or remitted</p> <p>Effective date: 1 July 2026</p>	<p>deducted, withheld or remitted where the recipient of the payment has paid and accounted for the full principal tax and the tax not deducted, withheld or remitted.</p>		<p>and took effect on 1 July 2025 to prevent double collection of tax on the same income.</p> <p>If the provision is repealed, withholding agents could again become liable for the principal tax even where the payee has already fully paid the tax. This may create situations of double tax collection, unless the withholding agent can recover the amount from the recipient.</p>
71	<p>Section 42 Agency notices to be issued where taxpayers lose at the Tribunal or High Court</p> <p>Effective date: 1 July 2026</p>	<p>(14) The Commissioner shall not issue a notice under this section unless- (e) the taxpayer has not appealed against an assessment specified in a decision of the Tribunal or court.</p>	<p>The Bill proposes to delete this subsection 14(e).</p>	<p>The proposal would empower the Commissioner to enforce tax judgements against taxpayers through agency notices even where an appeal is pending before a higher court. This is a deeply concerning development that effectively introduces a 'pay first, argue later' regime in Kenya.</p> <p>The implications are significant. Taxpayers facing disputed assessments - including potentially inflated ones - would be compelled to settle outstanding amounts before their appeals are resolved, creating serious cashflow difficulties particularly for businesses.</p> <p>A further concern is the practical difficulty of recovering amounts already collected by the KRA should a taxpayer ultimately succeed on appeal.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
72	<p>Section 47 Offset of overpaid taxes against import VAT</p> <p>Effective date: 1 July 2026</p>	<p>The Finance Act 2025 amended Section 47 of the TPA by introducing subsection 1(a), which allows taxpayers to use overpaid taxes to offset, among other tax obligations, VAT on imported goods, effective 1st July 2025.</p>	<p>The Bill proposes to repeal part of Section 47(1)(a), which currently provides that taxpayers can offset overpaid taxes against import VAT.</p>	<p>The proposed deletion of this provision is concerning, given that it was only introduced into the TPA through the Finance Act, 2025 — less than a year ago. The legislative back-and-forth undermines policy certainty and erodes taxpayer confidence in the stability of the tax framework.</p>
73	<p>Section 75 Expansion of the uses of electronic tax Systems</p> <p>Effective date: 1 July 2026</p>	<p>Tax returns were prepared and submitted entirely by the taxpayer. There was no provision for the Commissioner to generate pre-populated returns.</p>	<p>The Bill proposes to amend this section by the addition of the following subsections:</p> <ul style="list-style-type: none"> - (3) The Commissioner may use the information technology contemplated under subsection (1) to generate a prepopulated tax return on behalf of a person required to submit or lodge a tax return. - (4) A person required to submit or lodge a tax return may rely on the prepopulated return generated by the Commissioner under subsection (3) to submit or lodge 	<p>The proposal introduces pre-populated tax returns into Kenya’s self-assessment system, marking a major change in tax compliance.</p> <p>This could make tax filing easier by reducing administrative work and improving accuracy, especially where taxpayer information is already available through withholding tax records, third-party reporting, and electronic invoicing systems.</p> <p>However, taxpayers will still be responsible for reviewing and confirming that the pre-filled information is correct. Errors, omissions, or mismatches in KRA data could lead to additional assessments, penalties, or disputes, particularly where data from different systems does not reconcile properly.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
			the return.	
74	<p>Section 77 (2) Computation of time for lodging objections and appeals</p> <p>Effective date: 1 July 2026</p>	<p>The Tax Laws Amendment Act, 2024 introduced section 77 (2) to the TPA, which allowed taxpayers to exclude weekends and public holidays in computation of time for objection and appeals.</p>	<p>The Bill proposes to delete this particular provision.</p>	<p>If enacted, the 30-day period will revert to including weekends and public holidays, effectively shortening the time practically available to taxpayers to prepare and lodge their objections or appeals.</p>
75	<p>Section 86 Failure to comply with electronic tax system</p> <p>Effective date: 1 July 2026</p>	<p>(1) Where a tax law requires a taxpayer to issue an electronic tax invoice, submit a tax return in electronic form or pay tax electronically, and the taxpayer fails to comply with that law, the Commissioner shall issue a notice in writing to the taxpayer requesting the reasons for non-compliance.</p> <p>(2) Where the reasons given under subsection (1) do not satisfy the Commissioner, the taxpayer shall be</p>	<p>The Bill seeks to repeal Section 86 of the TPA and replace it with a provision that will state as follows:</p> <p>1) That where a taxpayer fails to issue electronic invoices, submit returns electronically or make payments via the KRA's platforms, the Commissioner shall issue a notice to the taxpayer requiring them to provide reasons for their non-compliance.</p> <p>2) The Commissioner shall consider any response to the notice,</p>	<p>The proposed amendment introduces a reasonableness-based assessment before penalties for non-compliance with electronic tax system requirements are imposed, requiring the Commissioner to consider factors such as system-related challenges, absence of wilful default, and remedial action taken by the taxpayer.</p> <p>However, the introduction of a minimum penalty floor of KES 100,000 for non-individuals is a significant concern.</p> <p>In practice, taxpayers will need to maintain robust controls, documentation, and audit trails to demonstrate reasonable compliance efforts, especially where failures arise from</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<p>liable to a penalty of two times the tax due.</p>	<p>especially where the non-compliance is due to factors e.g., reasons beyond the taxpayer’s control.</p> <p>3) Where the reasons are not satisfactory, the taxpayer shall be liable to a penalty which shall be the higher of: (a) two times the tax due; (b) KES 100,000; or (c) KES 10,000 for individuals.</p>	<p>system outages, integration issues, or data validation errors beyond their control.</p>
76	<p>Section 89 5A and 5B</p> <p>Waiver of penalties on electronic systems</p> <p>Effective date: 1 July 2026</p>	<p>Section 5A currently provides that the Cabinet Secretary may, based on the Commissioner’s recommendation, waive all or part of a penalty or interest where it arose due to:</p> <ul style="list-style-type: none"> • an error in the electronic tax system; • delays in updating the electronic tax system; • duplication of penalties or interest caused by a system malfunction; or 	<p>The Bill proposes to amend Section 89 of the TPA to empower the Commissioner to waive penalties or interest arising due to system errors without seeking the approval of the Cabinet Secretary, National Treasury. However, this discretion is limited to penalties or interest not exceeding KES 2 million.</p> <p>Section 89(5B) is newly introduced sub-section.</p>	<p>The proposed amendment gives the Commissioner authority to directly waive penalties and interest caused by electronic system errors where the amount involved does not exceed KES 2 million.</p> <p>This is a practical change that could make it faster and easier for taxpayers to obtain relief in smaller cases, while also reducing delays and administrative processes for both taxpayers and the Kenya Revenue Authority.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<ul style="list-style-type: none"> incorrect registration of a taxpayer's tax obligations. 		
77	Section 112 (2) Content to be covered by Regulations Effective date: 1 July 2026	Not Applicable	The Bill proposes to amend the TPA through the introduction of a new paragraph (ba) in section 112 (2) immediately under paragraph (b) which would read as follows: (ba) the procedure for the submission or lodging of returns based on prepopulated tax returns generated by the Commissioner.	The proposed amendment creates the legal basis for introducing pre-populated tax returns under the Tax Procedures Act (TPA). It gives the Cabinet Secretary authority to issue regulations that will govern how the system operates, without the need for further changes to the main law. This reflects a shift towards a more technology-driven tax compliance system, where KRA will rely more on third-party data, electronic invoicing, and information already available in its systems to prepare tax returns for taxpayers.

MISCELLANEOUS FEES & LEVIES

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
PART VI — MISCELLANEOUS FEES AND LEVIES				
78	<p>Section 7(6) and 7(7)</p> <p>Amendment to allocation of “IDF” collections</p> <p>Effective date: 1 July 2026</p>	<p>The current provisions govern the allocation of the Import Declaration Fee (IDF) as follows: 20% of the IDF collected is paid into a dedicated Fund established under the Public Finance Management Act. Of the monies held in that Fund, 10% is allocated towards Kenya's financial contributions to the African Union and other international organisations, while a further 10% is directed towards revenue enforcement initiatives.</p>	<p>The Bill proposes to amend section 7(6) and 7(7) to read as follows:</p> <p>(6) Out of the fee collected under subsection (2), ten per cent shall be paid into a Fund established and managed in accordance with the Public Finance Management Act.</p> <p>(7) Ten percent of monies in the Fund under subsection (6) shall be used for the payment of Kenya’s contributions to the African Union and any other international organisation to which Kenya has a financial obligation.</p>	<p>The proposed amendment reduces the portion of IDF collections paid into the Public Finance Management Act Fund from 20% to 10%, effectively halving the allocation.</p>
79	<p>Section 9</p> <p>Applicability of EACCMA</p> <p>Effective date: 1 July 2026</p>	<p>Section 9 provides that the valuation, collection, and enforcement provisions of the East African Community Customs Management Act, 2004 apply equally to the Import Declaration</p>	<p>The Bill proposes to amend section 9 to read as follows:</p> <p>The provisions of the East African Community Customs Management Act, 2004, relating to the determination of value of imported</p>	<p>The practical implication is that the EAC Customs Management Act's valuation, collection, and enforcement framework will automatically apply to all fees and levies currently imposed under Part III, as well as any new fees or levies that may be introduced under that Part in the future — without requiring a further amendment to Section 9.</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
		<p>Fee, Railway Development Levy, and Export Levy.</p>	<p>goods, collection and enforcement of the payment of duty shall apply for the purposes of assessment, collection and enforcement of the payment of the fees and levies imposed under Part III.</p>	
80	<p>IDF and RDL exemption on aircraft, spacecraft, and parts thereof</p> <p>Effective date: 1 July 2026</p>	<p>The current framework provides a blanket exemption from IDF and RDL for all goods and parts falling under Chapter 88, which covers aircraft and related equipment.</p>	<p>The proposed amendment narrows this exemption significantly, limiting it to only parts of Chapter 88 goods and specifically to aircraft under tariff headings 8802.30.00 (aeroplanes and aircraft of an unladen weight exceeding 2,000kg but not exceeding 15,000kg) and 8802.40.00 (aeroplanes and aircraft of an unladen weight exceeding 15,000kg).</p>	<p>The practical effect is that other goods currently falling within Chapter 88 — such as smaller aircraft, helicopters, spacecraft, and related equipment — will no longer enjoy the IDF and RDL exemption and will become subject to these levies.</p>
81	<p>IDF and RDL - Cellular Phones Excluded</p> <p>Effective date: 1 July 2026</p>	<p>Imported cellular phones were subject to the import declaration fee (IDF) and railway development levy (RDL) in the ordinary course.</p>	<p>The Second Schedule to the Miscellaneous Fees and Levies Act is amended to expressly exempt imported telephones for cellular networks and other wireless</p>	<p>Consistent with the restructuring of excise duty on phones to an activation-based trigger, the removal of IDF and RDL at the importation stage further reduces the upfront tax cost on handsets. This is intended to lower consumer prices for mobile devices and is likely a complementary measure to the</p>

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
			networks from both the IDF and the RDL.	VAT exemption for cellular phones under the VAT Act amendments.

STAMP DUTY

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
PART VII — STAMP DUTY				
82	Section 96A Stamp Duty Exemption — Transfer of Property to REITs Effective date: 1 July 2026	Section 96A of the Stamp Duty Act exempted certain instruments from stamp duty, including group restructuring transfers. The provision did not expressly address transfers of property to REITs.	The Bill proposes to amend Section 96A(1) to add a new paragraph (c) extending the stamp duty exemption to instruments that convey or transfer a beneficial interest in property from any person to a Real Estate Investment Trust.	Taken together with the CGT exemption for REIT seeding transactions (Part II above), the stamp duty exemption creates a comprehensive tax incentive package for the transfer of assets into REIT structures. This dual relief removes two of the principal transactional tax barriers to REIT formation and is a material positive development for the Kenyan real estate investment market.

ROAD MAINTENANCE LEVY

Sr.	Topic	Current Legislation	Proposed Amendment	Comments / Impact
PART VIII — ROAD MAINTENANCE LEVY FUND ACT				
83	<p>Section 3 - Amendment to Imposition of Levy</p> <p>Effective date: 1 July 2026</p>	<p>Section 3(2) currently provides that out of the petroleum levy collected, KES 3 per litre of petroleum sold is paid into the Road Annuity Fund established under the Public Finance Management Act. These funds are ring-fenced specifically for the construction of roads under the Road Annuity Programme and any similar road projects approved by the National Assembly.</p>	<p>The Bill proposes to amend Section 3(2) of the Road Maintenance Levy Fund Act by reducing the statutory amount of the road maintenance levy paid into the Road Annuity Fund from three shillings per litre to one and a half shillings per litre of petroleum sold.</p>	<p>This proposal mainly reallocates funds and does not reduce the road maintenance levy paid by fuel consumers or importers. Instead, it lowers the portion of the levy allocated to the Road Annuity Fund, which finances roads under the Road Annuity Programme and other approved road projects.</p>

DISCLAIMER

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