

# Analysis of the Finance Act 2026; enacted tax and trade measures & their implications

June 2026



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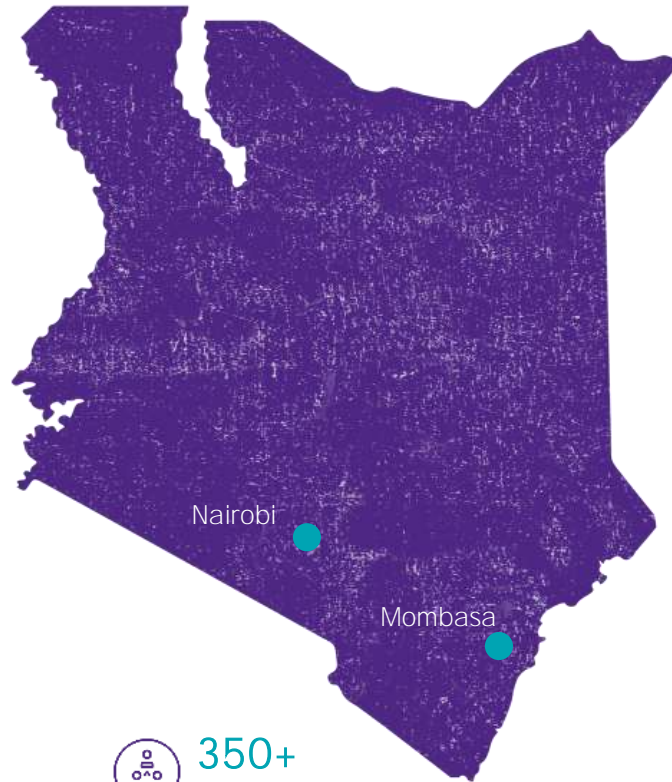
Summary statistics panel with icons and text:

- Icon: Money with arrow pointing right. Text: **\$ 8.5bn** in revenue
- Icon: Group of people. Text: **80,000+** people
- Icon: Globe. Text: **700+** offices
- Icon: Location pin. Text: **156** countries

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**That means we're everywhere you are, as well as where you want to be.**

# Kenya



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Grant Thornton Kenya is a leading business adviser providing audit, tax and advisory services. With 350+ staff, 20 Partners and Directors, we apply strong technical guidance and breadth of experience to ensure that clients receive a truly different experience.

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We set ourselves high standards in delivering value to clients, in a timely manner. In our latest client satisfaction survey, our clients said they appreciated our friendly and personalized attention to them and the prompt, professional and reliable advise and support they receive from us.

*“Clients choose us because we care deeply about them and create a relationship as their growth partners. We are part of their growth story.” Dipesh Shah, CEO, Grant Thornton Kenya*

# Executive summary

# Executive summary

The Finance Act, 2026, has now been enacted following parliamentary consideration of the Finance Bill, 2026. The Act introduces various amendments to Kenya's tax legislation aimed at enhancing revenue collection, improving tax administration, broadening the tax base and facilitating trade.

While several proposals contained in the Finance Bill were enacted as originally drafted, others were amended following stakeholder submissions and parliamentary review. Certain proposals were not adopted.

This publication highlights:

- Key changes introduced by the Finance Act, 2026;
- Proposals retained, amended or dropped during the legislative process;
- Effective dates of the various provisions; and
- Practical implications for taxpayers and businesses.



## Winners

- **Investors and Manufacturers** – Parliament retained and expanded several incentives aimed at attracting large scale investments through enhanced VAT exemptions, accelerated capital deductions and investment-linked tax incentives.
- **Real Estate Investors and REITs** - The Act provides further support to Real Estate Investment Trusts (REITs) through capital gains tax exemptions and stamp duty reliefs on qualifying property transfers. This reinforces the Government's efforts to deepen Kenya's capital markets and encourage property investment through regulated structures.
- **Financial institutions** - Banks, microfinance institutions and other lenders benefit from clearer bad debt deduction rules and favorable treatment of certain financial transactions.
- **Non-residents** - The Act removes the PIN requirement for non-residents opening accounts with investment banks and financial institutions.
- **Taxpayers with historical tax arrears** - The extension of the tax amnesty programme to cover penalties and interest relating to tax debts outstanding as at 31 December 2025 offers taxpayers an additional opportunity to regularize historical tax exposures.
- **Strategic Infrastructure Projects** - Public-private partnership projects, LPG storage infrastructure projects, to enjoy favorable VAT and levy treatment.

## Losers

- **Importers** - The introduction of mandatory export declarations and supporting customs documentation significantly increases the compliance burden on importers. Taxpayers may now face challenges substantiating import values, origin claims and deductions where supporting export documentation is unavailable.
- **Taxpayers using aggressive tax planning structures** - The introduction of a formal anti-tax avoidance framework gives KRA broader powers to disregard arrangements whose primary purpose is obtaining a tax benefit. This is one of the most significant enforcement measures introduced under the Act.
- **Digital economy participants** - The expanded definition of royalties and management or professional fees potentially increases withholding tax exposure on software licensing arrangements, payment card networks, digital platforms and related cross-border transactions.
- **Virtual Asset Service providers** - The Act introduces extensive reporting obligations for virtual asset service providers and creates a framework for automatic exchange of information with foreign tax authorities, signaling increased scrutiny of digital asset transactions.
- **Gambling sector** - The sector faces a broader tax net through taxation of winnings and changes to the treatment of betting and gambling transactions.

# Income Tax

# Income Tax

Issue	Amendment	Implication	Commencement date
<p>Amendment to the definition of <b>“Immovable Property</b></p>	<p>Section 2(1) to the Income Tax Act (ITA) in the definition of “immovable property”, by deleting the word “and” appearing immediately after the words “immovable property” the end of item (a), and substituting therefor the word “or”;</p>	<p>This means the items listed in the definition will be interpreted as alternatives rather than cumulative requirements, thereby broadening the scope of what may qualify as immovable property for tax purposes. This eliminates potential ambiguity about whether both provisions must exist simultaneously for the definition to apply.</p>	<p>1<sup>st</sup> July 2026</p>
<p>Expansion of the Definition of <b>“Management or Professional fee</b></p>	<p>Section 2 of the ITA in the definition of “management or professional fee” under the Income Tax Act by adding the words “and includes interchange fees and merchant service fees arising from transactions that use a card as a means of payment” immediately after the word “calculated”.</p>	<p>More service payments may now attract withholding tax. Businesses should review existing contracts, service agreements and cross-border arrangements to assess their withholding tax obligations and avoid potential exposures during KRA audits.</p>	

# Income Tax

Issue	Amendment	Implication	Commencement date
New definition of royalty	<p>Section 2 of the ITA;</p> <p>in the definition of royalty under the Income Tax Act and expands its scope to include payments for the use or right to use copyrights, software (including licence, development, training, maintenance and support fees), films, patents, trademarks, designs, industrial, commercial or scientific equipment, know-how and information, as well as payments relating to proprietary digital payment card networks and platforms.</p>	<p>The expanded definition codifies KRA's increasingly broad interpretation of royalties, particularly in relation to software, digital platforms and technology-related payments. This may result in a wider range of domestic and cross-border payments being subject to withholding tax and could increase disputes regarding the characterization of service fees versus royalties. Businesses should reassess existing contractual arrangements and treaty positions in light of the revised definition.</p>	1 <sup>st</sup> July 2026
Amendment to the definition of <b>“Withdrawals”</b>	<p>Section 2 of the ITA;</p> <p>“withdrawals” means any amount of money, cash equivalent, or money’s worth paid or disbursed to the account of a player, by a person licensed under the Gambling Control Act, 2025;</p>	<p>The amendment broadens the scope of transactions that may be subject to withholding tax on winnings.</p>	

# Income Tax

Issue	Amendment	Implication	Commencement date
Insertion of the definition of <b>“Winnings”</b>	Section 2 of the ITA ;  “winnings” means a pay-out, by a person licensed under the Gambling Control Act, 2025, from a lottery or prize competition under the Gambling Control Act, 2025, but does not include the amount staked or wagered.	The amendment clarifies the scope of payouts that constitute winnings for tax purposes and may be subject to withholding tax.	
Exemption of certain employment income earned by Non-Resident airline personnel	Section 5 of the ITA subsection (1) by inserting the following proviso –  “Provided that the income of a non-resident individual employed by, or engaged on behalf of, a resident air transport operator designated by the Government as a national carrier shall not be deemed to accrue in or be derived from Kenya to the extent that the income is related to duties of the individual performed outside Kenya and the international transport operation of the air transport operator.”	The amendment excludes qualifying foreign sourced employment income of non-resident personnel of the national carrier from Kenyan income tax.	1 <sup>st</sup> July 2026

# Income Tax

Issue	Amendment	Implication	Commencement date
Tax treatment of contributions to gratuity	<p>Section 5(4) to the Income Tax Act as follows:</p> <p>a) in the proviso to paragraph (g), by adding the following new paragraph immediately after paragraph (b) — (c) the gratuity was for a contract of service for a continuous period of at least three years;</p> <p>b) by inserting the following new paragraph (ga) immediately after paragraph (g) - any contribution to a gratuity in respect of employment or services rendered:</p> <p>Provided that:</p> <ul style="list-style-type: none"><li>• the gratuity was for a contract of service for a continuous period of at least three years;</li><li>• the total contributions does not exceed thirty-one per cent of the basic salary of the employee; and</li><li>• this paragraph shall not apply to any person who is eligible for deductions under section 22A of the Income Tax Act.</li></ul>	Qualifying gratuity contributions will not be subject to income tax, subject to the prescribed conditions and limits.	1 <sup>st</sup> July 2026

# Income Tax

Issue	Amendment	Implication	Commencement date
Imposition of non-resident rental income tax	<p>Section 6B (1)</p> <p>1) Where the income of a non-resident person is accrued in or derived from the use or occupation of property situated in Kenya, a tax to be known as non-resident rental income tax shall be payable by that non-resident person at the rate specified in the Third Schedule which shall be a final tax on the income.</p> <p>2) A non-resident person subject to the tax payable under subsection (1) shall—</p> <p>(a) register and account for the tax through a simplified registration framework prescribed by the Commissioner; and</p> <p>(b) submit a return and pay the tax due on or before the twentieth day of the month following the end of the month for which the rent is paid.</p> <p>(3) Subsection (2) shall not apply where the income accrued in or derived from the use or occupation of the property is received by a resident person on behalf the non-resident person who is subject to the deduction of tax specified in section 35(1)(c).</p>	Rental income earned by non-resident landlords from property situated in Kenya will be subject to a final tax regime under the Third Schedule.	1 <sup>st</sup> July 2026

# Income Tax

Issue	Amendment	Implication	Commencement date
Tax on shipping and air transport	Section 9 of the Income Tax Act subsection (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.	Tax on shipping and air transport income will become payable earlier ( <i>within five days after the payment is received or the ship leaves the port of lading</i> ), potentially affecting taxpayers cash flows.	
Inclusion of other sources of income	Section 10 (1) of the Income Tax Act to include:  (n) sale of scrap metal; and  (o) winnings.	Persons earning income from scrap metal sales and winnings may now be subject to Kenyan tax where such income is deemed to accrue in or derive from Kenya.	
Amendment to trust income provisions	Section 11 of the Income Tax Act; a) Any income chargeable to tax and received by a person in the capacity of a trustee, executor, or administrator shall be deemed to be that person's income; b) dividend or interest included under subsection (1) shall not be subject to further tax; and c) where tax has been paid by the trustee, executor, or administrator, the beneficiary shall not be liable to pay tax on that income.	Trust income will only be taxed once, either through the trustee, executor or administrator, without further taxation of the beneficiary.	1 <sup>st</sup> July 2026

# Income Tax

Issue	Amendment	Implication	Commencement date
Eligibility for personal relief declaration	Section 12(1) of the Income Tax Act; “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.”	The amendment clarifies that individuals whose only taxable income is employment income are not required to pay instalment tax.	
Expansion of deductible bad debts for financial institutions	Section 15 (2) proviso in paragraph (a) - “Provided that in the case of a person carrying on a money lending business, a bank or financial institution licensed under the Banking Act, the Microfinance Act and the Central Bank of Kenya Act, a debt that has become bad in accordance with the guidelines issued by the Commissioner shall include the principal, interest and any other amount relating to the debt;”	Financial institutions may obtain larger bad debt deductions by including accrued interest and related amounts in addition to the principal debt.	1 <sup>st</sup> July 2026

# Income Tax

Issue	Amendment	Implication	Commencement date
Extension of Loss Carry Forward period for strategic investments	Section 15 (4)- “Provided that any person who before the 1st July, 2025 had invested at least ten billion shillings in Kenya and who, after the ascertainment of income had resulted in a deficit, and the deficit had been ascertained in respect of any period before the 1st July, 2025, the deficit shall be deemed to have occurred in the 2025 year of income of that person and the deduction may be applied by that person beyond the period specified in subsection (4) until it is extinguished. “	Qualifying investors with capital investments of at least KES 10 billion will no longer risk losing unutilized tax losses due to the expiry of the loss carry-forward period.	1 <sup>st</sup> July 2026
Clarification of interest deduction rules for lending and leasing businesses	Section 16(2)(j)(iii)(E) of the Income Tax Act deleting the words “lending and leasing business” appearing after the words “involved in” and substituting therefor the words “lending or leasing business, or both”.	The amendment removes ambiguity and extends the provision to businesses engaged in either lending or leasing activities, rather than requiring both activities to be undertaken.	

# Income Tax

Issue	Amendment	Implication	Commencement date
Amendment section 18F	<p>Section 18F of the Income Tax Act;</p> <p>a) 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)”;</p> <p>b) in the definition of “excluded multinational enterprise group”, by deleting the expression “section 18D(1)” appearing after the words “specified in” and substituting therefor the expression “section 18D(1B)”;</p> <p>c) by deleting the definition of “ultimate parent entity” and substituting therefor the following new definition: “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 statements under financial accounting principles generally applied in its jurisdiction of tax residence, or would be so required if its 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>This a clean up of the provisions to align with Section 18D.</p> <p>The new definition of ultimate parent entity is aligned to the OECD BEPS Action 13 and therefore aligning Kenya practices to international standards.</p>	1 <sup>st</sup> July 2026

# Income Tax

Issue	Amendment	Implication	Commencement date
Deletion of provision regarding of tax avoidance	Section 23 of the Income Tax Act	The repeal removes the specific anti-avoidance provision under the Income Tax Act; however, KRA may continue to challenge tax avoidance arrangements under the General Anti-Avoidance Rule contained in the Tax Procedures Act.	1 <sup>st</sup> July 2026
Expansion of Withholding Tax to transport services	Section 35; "replace the term "travel" with "transport services"	The amendment broadens the scope of payments subject to withholding tax by extending it beyond travel services to transport services generally.	
Revision of deadline for furnishing returns upon notice by the Commissioner	Section 52 (1) of the Income Tax Act ; "The Commissioner may, by notice in writing, require a person to furnish him by the last day of the fourth month following the end of the person's year of income."	Returns required by the Commissioner will now be subject to a fixed statutory filing deadline rather than a deadline determined by notice.	1 <sup>st</sup> January 2027

# Income Tax

Issue	Amendment	Implication	Commencement date
Revision of individual income tax return filing deadlines	<p>Section 52B (1)</p> <p>“Notwithstanding any other provision of this Act -</p> <p>(a) every individual chargeable to tax under this Act shall for any year of income, furnish to the Commissioner a return of income, including a self 2026 Amendment of section 52 of Cap. 470. Amendment of section 52B of Cap. 470. 9 2026 Finance assessment of their tax from all sources of income, not later than the last day of the fourth month following the end of their year of income; and</p> <p>(b) every person, other than an individual chargeable to tax under paragraph (a), shall for any accounting period 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>	Individuals will be required to file their income tax returns within four months following the end of their year of income, instead of the previous six-month filing period.	1 <sup>st</sup> January 2027

# Income Tax

Issue	Amendment	Implication	Commencement date
Amendment to first schedule (exempt income)	First schedule; paragraph 53 (d) for benefits arising due to death; and paragraph 76 any capital gains relating to the transfer of property to a real estate investment trust registered by the Commissioner under section 20(1).	Benefits received as a result of a person's death will no longer be subject to income tax. Transfers of property to qualifying REITs will not attract capital gains tax, thereby facilitating the establishment and growth of REIT structures.	
Withholding Tax rates on scrap metal sales and winnings	Head B of the Third Schedule to the Income Tax ; (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;	Scrap metal sales and winnings will now be subject to withholding tax at source.	1 <sup>st</sup> July 2026
Amendment to the Eighth Schedule of the Income Tax Act	Eighth Schedule paragraph 2;  d) gains derived from the alienation 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.	Non-residents may be subject to Capital Gains Tax on indirect disposals of Kenyan assets and certain group restructuring transactions.	

# Income Tax

Issue	Amendment	Implication	Commencement date
Reduction of corporate tax rate for Non-Resident companies	Ninth Schedule subparagraph (3)(b), to the Income Tax Act a) Delete "thirty-seven and a half percent" and substitute "thirty percent"	Non-resident companies will benefit from a lower corporate income tax rate, reducing their overall tax burden.	1 <sup>st</sup> January 2027
Repatriated Income Tax rate for contractors	Ninth Schedule subparagraph (4), to the Income Tax Act "The non-resident tax rates for repatriated income by a licensee under section 7B shall be fifteen per cent."	Contractors operating under Section 7B will be subject to a reduced tax rate of 15% on repatriated income	

# Value Added Tax

# Value Added Tax

Issue	Amendment	Implication	Commencement date
<p>VAT treatment of employee-related costs in labour outsourcing and employee placement services</p>	<p>Section 13 (5A) of the Value Added Tax Act ;            “Subject to subsection 5, where a supplier provides labour, outsourcing or employee placement services and incurs employee-related costs, such costs shall be deemed to be disbursements made by the supplier on behalf of the client.            (5B) For the purpose of subsection (5A), “employee related costs” includes salaries, wages, statutory deductions and such other related costs.</p>	<p>The amendment clarifies the VAT treatment of employee-related costs incurred under labour outsourcing and employee placement arrangements by deeming such costs to be disbursements made on behalf of clients.</p>	<p>1<sup>st</sup> July 2026</p>
<p>VAT treatment of financial charges under Hire Purchase Agreements</p>	<p>Section 13 (6) (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.’</p>	<p>Financial charges relating to credit provided under qualifying hire purchase agreements will not be subject to VAT.</p>	

# Value Added Tax

Issue	Amendment	Implication	Commencement date
Adjustment of Input VAT on Unsold Stock Following Exemption of Supplies	<p>Section 17 (A) of the Value Added Tax Act ;</p> <p>“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.</p> <p>(2) When accounting for input tax under subsection (1), 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>	Input VAT claimed on unsold stock will be clawed back where the underlying supplies subsequently become exempt.	1 <sup>st</sup> July 2026

# Value Added Tax

Issue	Amendment	Implication	Commencement date
Extension of VAT refund timeframe	Section 31(1) of the Value Added Tax Act; “ (a) has not received any payment from the person liable to pay the tax, he may, after a period of three years from the date of the supply; or”	The amendment extends the qualifying period for claiming VAT relief on bad debts from two years to three years.	
Restriction on issuance of VAT invoices	Section 42 (2) Value Added Tax Act ; “An invoice showing an amount that purports to be tax shall only be issued in respect of a taxable supply.”	Persons making non-taxable or exempt supplies will be prohibited from issuing invoices reflecting VAT, reducing the risk of erroneous VAT claims and assessments.	1 <sup>st</sup> July 2026
Tax Avoidance schemes	Section 66 is repealed	The amendment removes the specific anti-avoidance provision under the VAT Act, although anti-avoidance measures under other tax laws may continue to apply.	

# Value Added Tax

Issue	Amendment	Implication	Commencement date
Amendment to VAT exempt supplies	<p>First Schedule to the VAT Act (Parts I and II) as follows- Part I &amp; II (Exempt goods and services):</p> <p>a) add new paragraphs 158, 159, 163, 169 and 170 exempting additional new items listed as follows: dialyzers of tariff number 8421.29.00, scrap metal, imported or locally purchased telephones for cellular networks and other wireless network, worn clothing and other worn articles of tariff heading 6309 (other than upon importation), and goods for direct and exclusive use in the implementation of infrastructure projects undertaken under a PPP framework (upon approval).</p> <p>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—</p> <p>(i) the services of carriage of cash, restocking of cash machines, sorting or counting of money; and</p> <p>(ii) money transfers, payment 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>	<ul style="list-style-type: none"> <li>Suppliers of the newly exempt goods will no longer charge VAT on such supplies and may face restrictions on recovering related input VAT.</li> <li>Digital payment and transaction processing services supplied for a fee or commission will become subject to VAT, potentially increasing the cost of such services.</li> </ul>	1 <sup>st</sup> July 2026

# Value Added Tax

Issue	Amendment	Implication	Commencement date
Amendment to VAT exempt supplies	<p>First Schedule paragraph 25;</p> <p>"in-house supplies" to include supplies made by a tour operator's own resources or from third parties but materially altered so that it is different to that purchased);</p>	<p>The amendment clarifies the scope of the VAT rules applicable to tour operators by defining eligible tour operators and specifying when supplies are treated as in-house supplies.</p>	
Amendment to VAT exempt supplies	<p>First Schedule</p> <p>In paragraph 51, insert "spare parts" after "lubricants" and adds a proviso that exemptions for spare parts granted before 30th June 2026 apply until project conclusion;</p> <p>In paragraph 99 (i), by deleting the words "three hundred" and substituting the words "two thousand"</p>	<p>Spare parts used in qualifying projects will benefit from VAT exemption, while existing projects will continue enjoying previously granted exemptions until project completion.</p> <p>Only larger qualifying hotel developments meeting the revised threshold will be eligible for the VAT exemption.</p>	1st July 2026

# Value Added Tax

Issue	Amendment	Implication	Commencement date
<p>VAT exemption for services used in PPP infrastructure projects</p>	<p>The 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 recommendation of the Cabinet Secretary for the Ministry responsible for the implementation of the project.</p>	<p>Qualifying PPP infrastructure projects will benefit from VAT exemption on services directly used in project implementation, reducing project costs.</p>	
<p>VAT Exemption for services used in LPG Storage infrastructure projects</p>	<p>Taxable services used in the construction of liquefied petroleum gas storage tanks and related infrastructure: Provided that the investment in the construction of liquefied petroleum gas storage tanks and related infrastructure in Kenya amounts to at least five billion shillings and has been recommended by the Cabinet Secretary responsible for matters relating to energy.</p>	<p>Qualifying LPG storage infrastructure projects will not incur VAT on eligible construction-related services, reducing project development costs and encouraging investment in energy infrastructure.</p>	<p>1<sup>st</sup> July 2026</p>

# Excise Duty

# Excise duty

Issue	Amendment	Implication	Commencement date
Introduction of definition for antique, vintage or classic vehicle	<p>Section 2 of the Excise Duty Act has been amended to include the following;</p> <p>"antique, vintage or classic vehicle" meaning a motor vehicle whose year of first registration is at least thirty years before the date of purchase and whose value is at least ten million shillings exclusive of depreciation</p>	The amendment establishes clear criteria for identifying antique, vintage or classic vehicles for purposes of applying the Excise Duty Act.	
Relief for excise duty paid on inputs used to manufacture exempt excisable goods	<p>Section 29 (1) (c) Act has been amended by inserting the following new paragraph:</p> <p>“the excise duty has been paid in respect of inputs used by a licenced or registered manufacturer to manufacture excisable goods otherwise exempt under Paragraph 12 of Part A of the Second Schedule, where the inputs are directly attributable to the manufactured goods.”</p>	Manufacturers of qualifying exempt excisable goods will be able to recover excise duty incurred on directly attributable inputs, reducing the cost of production.	1 <sup>st</sup> July 2026
Virtual assets	virtual asset” has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025	Clarity has been provided and updated to reference the Virtual Asset Service Providers Act.	

# Excise duty

Issue	Amendment	Implication	Commencement date
New definition of <b>“amount deposited”</b>	<p>Section 2 of the Excise Duty Act has been amended by inserting the new definition as follows;</p> <p>“amount deposited” means the total value of money or money’s worth paid, transferred, credited, or otherwise made available for betting or gambling purposes to a person who has been issued a licence under the Gambling Control Act, whether provided by a player or the operator, whether in cash or cash equivalents, whether or not such amount is held in an account operated by a player, operator or licensed person, or converted into chips, tokens, tickets, credits, or similar instruments;</p>	<p>The amendment expands the excise duty base by treating all money or value made available for betting or gambling, including bonuses, credits, chips, and tokens, as an “amount deposited” subject to excise duty.</p>	1 <sup>st</sup> July 2026

# Excise duty

Issue	Old rate	New rate	Commencement date
Coal	None	5% of the excisable value	
Fruit juices (including grape must) and vegetable juice, unfermented, containing added sugar or other sweetening matter and not containing added spirit	Kshs 14.14 per litre	Kshs 20 per litre	
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	5% of excisable value or KSh. 50 per kg, whichever is higher	
Other manufactured tobacco and manufactured tobacco substitutes; "homogenous" and "reconstituted tobacco"; tobacco extracts and essences	Kshs. 11,382.48 per kg	Kshs. 12,550 per kg	1 <sup>st</sup> July 2026
Cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes	Kshs 16,260.29 per kg	Kshs 18,000 per kg	
Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages.	Kshs. 500 per litre	Kshs. 80 per litre	
Antique , vintage and classic vehicles	None	50 % of the excisable value	
Fruit juices (including grape must) and vegetable juice, unfermented and not containing added spirit	None	Kshs 14.14 per litre	

# Excise duty

Issue	Old rate	New rate	Commencement date
Imported sugar excluding by a registered pharmaceutical manufacturer and raw sugar imported for processing by a licensed sugar refinery” by deleting the corresponding rate of excise and substituting therefore the following new rate of excise duty.	KShs. 7.50 per kg	KSh. 40.00 per kilogram	
Imported ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics of tariff 6907	5% or Ksh 300 per square metre, whichever is higher	“5% of the excisable value or KSh. 50 per kilogram, whichever is higher;”	
Imported Articles of plastic of tariff heading 3923.30.00 and 3923.90.90	10%	5% of excisable value or KSh. 50 per kg, whichever is higher	1 <sup>st</sup> July 2026
Imported MDF of tariff number 4411.12.00, 4411.13.00, 4411.14.00, 4411.92.00, 4411.93.00, 4411.94.00	None	30% of the excisable value	
Imported particle boards of tariff number 4410.11.00, 4410.19.00, 4410.90.00	None	30% of the excisable value	
Imported Block board of tariff number 4412.51.00, 4412.52.00, 4412.59.00, 4412.91.00, 4412.92.00, 4412.99.00	None	30% of the excisable value	
Imported Plywood of tariff number 4412.10.00, 4412.31.00, 4412.33.00, 4412.34.00, 4412.39.00	None	30% of the excisable value	

# Excise duty

Issue	Old rate	New rate	Commencement date
Imported unprinted banner sheeting, flex banner and unprinted PVC sheeting of tariff 3921.12.10 and 3921.90.10	None	KSh. 200 per kilogram or 35% of the excisable value	
Imported shower heads (whether or not fitted with heating Elements) including fully assembled units designed for domestic or commercial use of tariff heading 8516.10	None	35% of the excisable value	1 <sup>st</sup> July 2026
Imported heating elements used exclusively in the manufacture of shower heads of tariff heading 8516.10	None	35% of the excisable value	
Oral smokeless tobacco products (Swedish-style snus) being processed tobacco intended for placement in the mouth and not intended for smoking, combustion or heating	None	KSh. 2000 per kilogram	
Unprinted plastic sheets of tariff number 3920.43.10	None	10% of the excisable value	
Imported timber of tariff number 4407.19.00	None	30% of the excisable value	

# Tax Procedures Act

# Tax Procedures Act

Issue	Amendment	Implication	Commencement date
Requirement for virtual asset service providers to file information returns	<p>Section 6C of the Tax Procedures Act, requiring that:</p> <p>(a) each virtual asset service provider shall file an information return with the Commissioner in respect of all virtual-asset users with which it maintains a relationship in every calendar year that are identified as reportable users or having controlling persons that are reportable persons;</p> <p>(b) this requirement applies if the provider offers services that effectuate exchange transactions or makes available a trading platform on behalf of a customer, including acting as counterparty or intermediary to exchange transactions;</p> <p>(c) a false statement in an information return is an offence punishable by a fine of Ksh. 100,000 per false statement, imprisonment not exceeding three years, or both;</p> <p>(d) omission of required information attracts a penalty of Ksh. 100,000 per omission;</p> <p>(e) a person is not liable where the information relates to another person and reasonable effort was made to obtain it; and</p> <p>(f) failure to file an information return or a "nil" return attracts a penalty of Ksh. 1,000,000 per failure.</p>	Virtual asset service providers will be subject to mandatory reporting obligations and penalties for non-compliance.	1 <sup>st</sup> July 2026

# Tax Procedures Act

Issue	Amendment	Implication	Commencement date
Automatic exchange of virtual asset information & PIN reinstatement	<p>Section 6 D of the Tax Procedures Act            New section (Automatic Exchange of Information on Virtual Assets):</p> <ul style="list-style-type: none"> <li>a) Kenya may enter into agreements with other countries for automatic exchange of information relating to virtual asset transactions;</li> <li>b) such agreements shall provide for exchange of information including information returns filed under section 6C(1), due diligence reporting, record keeping obligations, virtual asset user relationships, nil returns, and arrangements intended to avoid obligations under the Act;</li> <li>c) "information return" means a report setting out prescribed information required to be filed with the Commissioner; and</li> <li>d) the Cabinet Secretary may make regulations for implementation.</li> <li>e) a person deregistered who later qualifies for registration under section 8 shall apply for reinstatement; and</li> <li>f) where the Commissioner is satisfied the applicant is liable for tax, the Commissioner shall register the person and issue the same PIN issued prior to deregistration</li> </ul>	KRA will have greater access to information on cross-border virtual asset transactions.	1 <sup>st</sup> July 2026

# Tax Procedures Act

Issue	Amendment	Implication	Commencement date
Tax Avoidance Schemes	<p>Section 18A of the Tax Procedures Act, empowering the Commissioner to -</p> <ul style="list-style-type: none"> <li>a) determine that a person has entered into a tax avoidance scheme and obtained a tax benefit for that purpose;</li> <li>b) reassess the tax liability as if the scheme had not been entered into;</li> <li>c) rely on information from the Income Tax Act (sections 35(5) and 37(1)), KRA Act (section 5A), electronic systems (sections 23A, 24A, 59A), goods inspection (section 58), records audit (section 59), and any other written law;</li> <li>d) issue an assessment within five years from the last day of the tax period;</li> <li>e) define "scheme" broadly to include any agreement, arrangement, plan, or undertaking (whether enforceable or not); and</li> <li>f) define "tax benefit" to include tax reduction, increased input tax deductions, refunds, payment postponement, or making taxable supplies non-taxable.</li> </ul>	<p>The implications of the proposal are that the Commissioner gains broad anti-avoidance powers with access to multiple information sources, a five-year assessment window, and widely defined schemes and tax benefits to counteract aggressive tax planning.</p>	<p>1st July 2026</p>

# Tax Procedures Act

Issue	Amendment	Implication	Commencement date
PIN exemption for Non-Resident investors	The Bill proposes to amend section 12 of the Tax Procedures Act by inserting a new subsection (5B) immediately after subsection (5A), providing that a non-resident person shall be exempt from the requirement of a PIN when opening an account with an investment bank.	Non-resident investors will no longer be required to obtain a PIN before opening investment and financial accounts in Kenya.	1st July 2026
Export documentation for imported goods	<p>Section 23 B</p> <p>(1) A person who imports or claims to have imported goods into Kenya shall obtain and retain an export declaration, export entry, custom export certificate or such other customs document issued by the competent authority in the country of export evidencing the lawful exportation of the goods from that country.</p> <p>(2) The export declaration or such other document referred to in subsection (1) shall contain such particulars as may be prescribed including—</p> <ul style="list-style-type: none"> <li>(a) the name and address of the exporter;</li> <li>(b) the name and address of the importer;</li> <li>(c) a description of the goods exported;</li> <li>(d) the quality, value and tariff classification of the goods;</li> <li>(e) the country of export and country of destination;</li> <li>(f) the date of exportation; and</li> <li>(g) the reference number assigned by the customs authority of the country</li> </ul>	Importers must retain export documentation from the country of export to support import transactions and related tax claims.	1st September 2026

# Tax Procedures Act

Issue	Amendment	Implication	Commencement date
Amnesty	<p>Section 37E of the Tax Procedures Act by extending various deadlines as follows</p> <p>(a) in subsection (1), extend the due date for filing from 31st December 2023 to 31st December 2025;</p> <p>(b) in subsection (2), extend the payment deadline from 31st December 2023 to 31st December 2025;</p> <p>(c) in subsection (3)—</p> <p>(i) extend the tax due date from 31st December 2023 to 31st December 2025; and</p> <p>(ii) extend the payment deadline from 30th June 2025 to 31st December 2026;</p> <p>(d) in subsection (4)—</p> <p>(i) extend the tax unpaid as at date from 31st December 2023 to 31st December 2025; and</p> <p>(ii) extend the unpaid deadline from 30th June 2025 to 31st December 2026.</p>	Waiver of penalties and interest once principal is paid.	1 <sup>st</sup> July 2026

# Tax Procedures Act

Issue	Amendment	Implication	Commencement date
Commissioner to issue an assessment	<p>Section 29A of the Tax Procedures Act, empowering the Commissioner to—</p> <ul style="list-style-type: none"> <li>a) issue an assessment on a person's income as he may deem necessary based on information obtained from various sources;</li> <li>b) rely on information from: Income Tax Act sections 35(5) and 37(1); KRA Act section 5A; Tax Procedures Act sections 23A (electronic system), 24A, 58 (inspection), 59 (audit), and 59A (data management system); and any other written law.</li> </ul>	KRA may issue assessments based on information obtained from third-party data, electronic systems, audits and other statutory sources, strengthening data-driven tax enforcement.	1 <sup>st</sup> July 2026
Collector to recover unpaid amount under other laws	<p>Section 39 B</p> <p>1) Notwithstanding the provisions of any other written law, where the Commissioner is the Collector of a fees, levy or charge under any other written law, the Commissioner may recover any unpaid amount of the fee, levy or charge as if it was an unpaid tax under a tax law.</p>	KRA will be able to use its tax recovery and enforcement powers to collect unpaid government fees, levies and charges, increasing the consequences of non-compliance.	

# Tax Procedures Act

Issue	Amendment	Implication	Commencement date
Prepopulated tax returns	<p>Section 75 (3) of the Tax Procedures Act. 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.</p> <p>(4) The Commissioner shall notify the person that a pre-populated return has been issued under sub-section (3).</p> <p>(5) The pre-populated return issued under subsection (3) shall be issued on or before end of January of each year of income to the person required to submit or lodge a return.</p> <p>(6) A person who is issued with a pre populated return under sub-section (3) may confirm or amend the pre-populated the return.</p> <p>(7) A person shall confirm or amend the pre populated return within two months from the date the pre-populated return is issued by the Commissioner.</p> <p>(8) A person required to submit or lodge a tax return may rely on the pre-populated return generated by the Commissioner under subsection (3) to submit or lodge the return.</p>	<p>The amendment introduces pre-populated tax returns. Its aims at reducing the administrative burden of tax return preparation while requiring taxpayers to verify the accuracy of the information before filing.</p>	<p>1<sup>st</sup> July 2026</p>

# Tax Procedures Act

Issue	Amendment	Implication	Commencement date
Failure to Comply with Electronic Tax System	<p>Section 86 of the Tax Procedures Act</p> <p>(a) where the Commissioner determines a taxpayer has failed to issue an electronic tax invoice, submit an electronic return, or pay tax electronically, the Commissioner shall issue a notice requiring reasons for non-compliance;</p> <p>(b) upon receiving the response, the Commissioner shall consider whether—</p> <p>(i) the failure arose from circumstances beyond the taxpayer's reasonable control;</p> <p>(ii) the failure was not due to willful neglect or deliberate default; and</p> <p>(iii) the taxpayer took reasonable steps to comply as soon as practicable;</p> <p>(c) where the Commissioner is not satisfied, the taxpayer shall pay the higher of: two times the value of tax due, one hundred thousand shillings, or ten thousand shillings (for an individual.)</p>	<p>The amendment introduces a structured enforcement process for non-compliance with electronic tax obligations by requiring the Commissioner to first seek an explanation from the taxpayer before imposing enhanced penalties where the reasons provided are unsatisfactory.</p>	<p>1<sup>st</sup> July 2026</p>

# Tax Procedures Act

Issue	Amendment	Implication	Commencement date
<p>Waiver of Penalties and Interest Due to Electronic System Errors</p>	<p>Section 89 of the Tax Procedures Act as follows -                      (a) in subsection (5A)—                      (i) in paragraph (c), delete the words "due to a malfunction of an electronic tax system" appearing after the word "interest"; and                      (ii) insert a new paragraph (ca) immediately after paragraph (c) for "a malfunction of an electronic tax system";                      (b) insert a new subsection (5B) providing that despite subsection (5A), the Commissioner may waive the whole or part of any penalty or interest where the liability does not exceed two million shillings and was due to an error generated by an electronic tax system.</p>	<p>The amendment expands the Commissioner's discretion to waive penalties and interest arising from electronic tax system errors, providing relief to taxpayers where the resulting liability does not exceed KES 2 million.</p>	<p>1<sup>st</sup> July 2026</p>
<p>Regulations for prepopulated tax returns</p>	<p>Section 112(2) of the Tax Procedures Act                      (ba) providing for the procedure for the submission or lodging of returns based on prepopulated tax returns generated by the Commissioner.</p>	<p>The amendment provides a legal framework for regulations governing the submission of tax returns based on pre-populated returns generated by the Commissioner, enhancing clarity on the applicable procedures.</p>	

# Miscellaneous Fees and Levies

# Miscellaneous Fees and Levies changes

Issue	Amendment	Implication	Commencement date
Deletion in interpretation	<p>Section 9 of the Miscellaneous Fees and Levies Act;</p> <p>“by deleting the words “import declaration fee, railway development levy and export levy” appearing immediately after the words “payment of” and substituting therefor the words “the fees and levies imposed under Part III”.</p>	<p>The amendment broadens the scope of the payment provisions to apply to all fees and levies imposed under Part III, ensuring consistent administration and enforcement across all applicable fees and levies</p>	
Import Declaration Fee (IDF) and Railway Development Levy (RDL) Exemptions	<p>Second Schedule to the Miscellaneous Fees and Levies Act is amended—</p> <p>(a) in Part A—</p> <p>(i) by deleting paragraph (xv) and substituting therefor the following new paragraph—</p> <p>(xv) all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00;</p> <p>(ii) by inserting the following new paragraph immediately after paragraph (xxxii)—</p> <p>(xxxiii) Goods used in the construction of liquefied petroleum gas storage tanks and related infrastructure:</p> <p>Provided that the investment in the construction of liquefied petroleum gas storage tanks and related infrastructure in Kenya amounts to at least five billion shillings and has been recommended by the Cabinet Secretary responsible for matters relating to energy.</p>	<p>The amendment expands the list of exempt goods to include qualifying imports for large-scale LPG storage projects (subject to a KES 5 billion investment threshold and Cabinet Secretary approval) and updates the scope of aircraft-related exemptions, potentially reducing the cost of strategic infrastructure investments while limiting the incentive to large qualifying projects.</p>	1 <sup>st</sup> July 2026

# Stamp duty act

# Stamp Duty Act

Issue	Amendment	Implication	Commencement date
Amendment to Stamp Duty on Transfers to Real Estate Investment Trusts	Section 96A(1) of the Stamp Duty Act ; (b), providing for instruments that have the effect of conveying or transferring a beneficial interest in property from a person or persons to a real estate investment trust..	The amendment extends the stamp duty exemption to instruments transferring a beneficial interest in property to a REIT, reducing transaction costs and facilitating property transfers into REIT structures.	1 <sup>st</sup> July 2026

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This analysis and interpretation is based on a copy of the Finance Bill, 2026 that is available in general circulation, but has not yet been confirmed as the official copy tabled before the National Assembly.

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