Intelpoint Consulting

TAX ALERT

26/05/2026 | Intelpointconsulting.com

Finance Bill 2026, Analysis.

Kenya

FINANCE BILL, 2026 ANALYSIS

The Finance Bill, 2026 was published in the Kenya Gazette Supplement on 5th May 2026. The Bill proposes amendments to various Laws, including the Income Tax Act, Value Added Tax Act, Excise Duty Act, Tax Procedures Act, Stamp Duty Act and Miscellaneous Fees and Levies Act.

We provide our analysis of the proposed changes and the implications in the subsequent paragraphs.

A. INCOME TAX ACT

Definition of Immovable Property

Current Definition	Finance Bill Proposal	Implications
"immovable property" includes– (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 (b)a mining right, an interest in a petroleum agreement, mining information or petroleum information;	Proposes to delete the word **and,** substituting it with **or**	The proposed amendment seeks to clarify that each item described under paragraphs (a) and (b) independently qualifies as immovable property. Under the current definition, the wording may be interpreted to mean that both conditions in paragraphs (a) and (b) must be satisfied for property to qualify as immovable property, which may not have been the intended interpretation. Accordingly, the proposal aims to eliminate ambiguity in the definition of immovable property, particularly in relation to the application of capital gains tax.

Definition of Management or Professional Fees

Current Definition	Finance Bill Proposal	Implications
"management or professional fee" means any payment made to any person, other than a payment made to an employee by his employer, as consideration for any managerial, technical, agency, contractual, professional or consultancy services however calculated;	The Bill proposes to include interchange fees and merchant service fees arising from transactions that use a card as a means of payment in the definition.	This proposal seeks to broaden the scope of payments subject to withholding tax (WHT) by expressly including interchange fees and merchant service fees arising from card-based payment transactions. As a result, banks and players in the fintech industry such as payment service providers, will be required to withhold tax on such payments. The proposal appears to be a response to the Supreme Court's decision in the case of Absa Bank PLC and the Commissioner of Domestic Taxes, where the Court held that interchange fees do not constitute management or professional fees and, therefore, are not subject to withholding tax.

Definition of Withdrawals

Current Definition	Finance Bill Proposal	Implications
"withdrawals" means the amount of money withdrawn by a customer from their betting or gaming wallet maintained by a person licensed under the Betting, Lotteries and Gaming Act;	"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 issued under the Gambling Control Act, 2025;	The proposal seeks to broaden the definition of "withdrawals" to cover all forms of payments made to players, including those that may not have been expressly provided for under the current definition such as cash equivalent or money's worth paid or disbursed to the account of the player. The proposal is intended to expand the tax base and enhance revenue collection from the gambling sector.

Definition of Royalty

Current Definition	**Finance Bill Proposal**	**Implications**
"royalty" means a payment made as a consideration for the use or the right to use— (a)any copyright of a literary, artistic or scientific work; (b)any software, proprietary or off-the-shelf, whether in the form of licence, development, training, maintenance or support fees; (c)any cinematograph film, including a film or tape for radio or television broadcasting; (d)any patent, trademark, design or model, plan, formula or process; (e)any industrial, commercial or scientific equipment; or (f)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;	Proposal to include payment made as a consideration for the use or the right to use; vii)a proprietary digital platform, payment network, payment-card scheme, payment processing system, switching system, clearing system or settlement system, including access, 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 (b) the distribution of software where regular payments are made for the use of the software through the distributor;	The proposal seeks to expand the scope of payments subject to withholding tax (WHT) by broadening the definition of royalties to include digital platforms, payment processing schemes and systems, as well as software distribution arrangements involving regular payments for the use of software through distributors. As a result, payment processing platforms and software distributors may face increased compliance obligations and higher operational costs due to the expanded withholding tax requirements. Overall, the proposed definition is intended to widen the range of payments classified as royalties and, consequently, subject to withholding tax

Definition of Winnings

The Bill proposes a new definition of winnings to mean; a pay-out, by a person licensed issued 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.

This proposal seeks to clarify that tax on winnings will apply only to the net gain realized by a player, rather than the total amount staked or wagered. The proposal is intended to provide greater clarity and certainty in the taxation of the gambling sector.

Restriction of Existing Exemptions Relating to gratuity

The Bill proposes to restrict the existing exemptions relating to gratuity. Currently the limit for exemption of gratuity is capped at 360,000 per year of service with the exclusion of persons eligible for deductions under Section 22A.

Under the proposed amendment, the exemption will only apply where the gratuity relates to a contract of service lasting at least three years.

The Bill further proposes to clarify that gratuity in respect of employment income will qualify for exemption only where the following conditions are met:

- the gratuity was for a contract of service for a continuous period of at least three years;
- the total contributions does not exceed thirty-one per cent of the basic salary of the employee; and
- this paragraph shall not apply to any person who is eligible for deductions under section 22A.

The proposal is intended to clarify the application of the gratuity exemption while further restricting its availability to employees engaged under contracts of service of at least three years. Consequently, employees serving under shorter-term contracts may no longer qualify for the exemption.

Imposition of Non - Residential Rental Income

The Bill proposes to introduce a rental tax regime for non-residents who accrue or derive income from the use or occupation of property situated in Kenya.

The withholding tax will be a final tax as per the rates provided in the Third Schedule. The following WHT rates currently apply in the Third Schedule in regards to rental income;

- 30% of the gross amount payable in respect of a rent premium or similar consideration for the use or occupation of immovable property
- 15% of the gross amount payable in respect of rent, premium or similar consideration for the use of property other than immovable property.

The qualifying non-residents will be required to register and account for tax through a simplified registration framework and submit a return and pay the tax before the 20th day of the month following the month in which the rent is paid.

An exemption is provided where the income has already been subjected to WHT in the case where a resident receives it on behalf of the non-resident and deducts the same as provided under Section 35.

This proposal aims to expressly subject to taxation all non-residents earning income from the use or occupation of property in Kenya, particularly in cases that may not currently fall within the existing withholding tax framework.

Freight Tax Payment Timeline

The Bill proposes to expressly provide that freight tax under Section 9(1) shall be payable within five days after the payment is received or the ship leaves the port of lading, whichever is earlier.

In line with this amendment, the Bill has proposed the deletion of withholding tax requirement for freight tax under Section 35.

This proposal is aimed at clarifying the tax point for freight tax and the associated timelines for remitting the tax by removing the ambiguity on the current provision.

Withholding Tax on Scrap Metals & Winnings

The Bill proposes to introduce withholding tax on the sale of scrap metals and winnings.

The withholding tax rate proposed is as below;

- Sale of scrap – 1.5% of the gross amount
- Winnings - 20%

This proposal is intended to broaden the withholding tax base and enhance revenue collection from sectors that may previously have experienced low tax compliance.

Clarification on the Taxation of Trust Income

The Bill proposes the deletion of Section 11 (Taxation of Trusts) and seeks to introduce new provisions which clarify the taxation of trust income as outlined below;

- 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.
- 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.
- 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

This proposal seeks to clarify that income received by a trustee, executor, or administrator shall be taxable in their hands. Further, where tax has already been paid by the trustee on the income of the trust, the beneficiary shall not be subject to tax on the same income.

In addition, qualifying dividends or interest income that has been subjected to final tax shall not be liable to any further taxation.

These provisions are intended to eliminate ambiguity in the taxation of trust income and prevent instances of double taxation.

Deduction of Interest for CBK Loans

The Bill proposes to introduce an interest deduction for employees in respect of interest paid, capped at KES 360,000 per year, on loans advanced by the Central Bank of Kenya for the construction, purchase, or improvement of a house occupied by the employee.

This proposal expands the scope of allowable interest deductions available to employees by including housing loans advanced by the Central Bank of Kenya. The proposal may also encourage home ownership and housing development by making housing finance obtained through the Central Bank of Kenya more tax efficient.

Transfer Pricing Documentations

The Bill proposes amendments to streamline Section 18D, which governs the filing of Country-by-Country reports, the master file, and the local file, by ensuring that all references within the section correctly correspond to the relevant paragraphs.

Additionally, the Bill proposes amendments to the definition of "ultimate parent entity," as outlined below;

Current Definition	Finance Bill Proposal	Implications
"ultimate parent entity" means an entity which– (a)is not controlled by another entity; and (b)owns or controls, directly or indirectly, one or more constituent entities of a multinational enterprise group.	"ultimate parent entity" means a constituent entity of a multinational enterprise group where— (a) the constituent entity owns directly or indirectly a sufficient interest in one or more other constituent entities of the multinational enterprise group; (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 (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.	The proposed definition is intended to provide clarity on the constituent entity required to file the country-by-country report.

Insurance Companies – Applied Terminologies

In regards to the ascertainment of income of Insurance as per Section 19, The Bill proposes deletion of the term "life insurance fund" and "annuity fund" and substituting the two with "statutory fund".

This proposal aims to align the terminologies to that applied in the Insurance Act. This can be confirmed by the definition of the term Statutory fund to mean means a fund established under Section 45 of the Insurance Act.

Minimum Deemed Dividend on Undistributed Profits

The Bill proposes to introduce a minimum deemed dividend threshold requiring the distribution of at least sixty percent of the relevant undistributed income.

This proposal seeks to provide clarity on the applicable threshold for the portion of income referenced under the current provisions of the Act in relation to deemed dividends.

Timelines for Income Tax Return Filings

The Finance Bill proposes to amend the timeline for filing income tax returns from the last day of the sixth month following the end of the year of income to the last day of the fourth month following the end of the year of income.

This proposal is intended to enhance administrative efficiency for the revenue authority by aligning the tax return filing deadline with the timeline for payment of the balance of tax. However, the shortened filing period may present practical challenges for taxpayers who require additional time to finalize audits and prepare financial statements before submitting their returns. Consequently, taxpayers may face an increased risk of late filing penalties due to the reduced compliance window.

Timelines for Nil Tax Returns Filing

The Bill proposes to introduce new timelines for the filing of NIL returns, requiring such returns to be submitted within one month following the end of the year of income to which the return relates.

While the proposal may be intended to enhance timely tax compliance, the shortened timeline could increase the compliance burden on taxpayers, as they may not be in a position to conclusively determine their tax position before the completion of audits and finalization of accounts.

Introduction of Exemptions under the First Schedule

- **Benefits arising due to death**; The Bill seeks to introduce exemption on benefits arising due to death in addition to other exempt items listed under Paragraph 53. This proposal may be aimed at reprieve grieving families.
- **CGT Exemption in regards to Real Estate Investment Trust;** Exemption for any capital gains relating to the transfer of property to a real estate investment trust registered by the Commissioner under section 20(1). This proposal may be intended to encourage property developers and investors to participate in REIT structures, thereby promoting growth and development within the real estate investment sector.

Elimination of the East African Community incentive on dividend tax rates.

The Bill proposes to remove the proviso granting citizens of East African Community Partner States a preferential dividend tax rate of five percent of the gross amount payable.

This implies that the applicable rate will be that of the non-resident of 15%. This change will likely increase the cost of cross-border transaction as it may prompt reciprocal measures from other EAC countries.

Capital Gains Tax on Indirect Transfers by Non- Residents

The Bill seeks to broaden the scope of Capital Gains Tax by introducing a provision that captures indirect transfers by non-residents, as outlined below;

- 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.

This proposal is intended to broaden the Capital Gains Tax base and curb potential tax avoidance or abuse by non-residents in respect of Kenyan-sourced gains.

Proposed New Lower Tax Rates for Non-Residents in the Extractive Industry

The Bill proposes to introduce reduced tax rates for non-residents operating in the extractive industry. It provides that the tax rate on repatriated income for non-resident licensees shall be set at 15 percent, while the income tax rate applicable to non-resident contractors is proposed to be reduced from 37.5 percent to 30 percent.

This measure is aimed at aligning the tax regime in the extractive sector with the prevailing corporate tax rate in Kenya, while also enhancing competitiveness and creating a more level playing field for foreign investors**.**

B. <u>VALUE ADDED TAX</u>

Restriction on the Determination of Consideration for Hire Purchase Agreements

The VAT Act currently provides under Section 13(6) that the consideration for a supply shall not include in the case of a supply of goods under a hire purchase agreement, any financial charge payable in relation to a supply of credit under the agreement.

The Finance Bill proposes to include an amendment that will restrict this exclusion of the financial charge payable only to a person licensed to carry on hire purchase business under a hire purchase agreement registered in accordance with the Hire Purchase Act.

This implies that taxpayers entering into hire purchase agreements should ensure they transact with licensed providers, as otherwise any related financial charges will be included in the consideration and will not qualify for exclusion.

Adjustment of input tax on supplies transitioning to exempt status.

The Finance Bill proposes to introduce an amendment for adjusting of input tax claimed on taxable supplies which have transitioned to the exempt status where the taxpayer has deducted input tax on such supplies that remain unsold in the tax return of the period where the taxable supply become exempt.

Accordingly, the taxpayer will be required to account for the input tax attributable to the unsold stock, and any resulting tax liability will become payable to the Commissioner.

The proposal is intended to curb revenue leakage arising from situations where input tax has been claimed on supplies that later become exempt from VAT.

Increase in Timeline for Refund of Bad Debts

The Finance Bill proposes to change the timeline after which a person can apply for bad debt from 2 years to 3 years.

This implies Tax payers will have to wait for a longer period to claim the refund on bad debt.

Tax Invoice Requirement for all Taxpayers

The Finance Bill proposes to delete the requirement of a tax invoice to a registered person but rather extend the requirement to all persons.

This means all taxpayers whether registered or not will be required to issue a tax invoice for all supplies. This change is likely intended to align invoicing requirements with the eTIMS framework for the recognition of allowable expenses by all taxpayers.

Inclusion of Payment Service Providers under the Scope of VAT

The Bill proposes to expressly exclude the following services from VAT exemptions under Part II of the First Schedule (Financial Services);

- ✓ the services of carriage of cash, restocking of cash machines, sorting or counting of money; and
- ✓ 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;

Consequently, these services will be subject to VAT. This proposal intends to include payment service providers under the scope of VAT and to clarify other financial services that will be also under the scope of VAT from the current provision of financial services.

This change will consequently increase the compliance obligations of the players in these industries and increase the costs of the associated services.

Increase in the VAT-free threshold for returning passengers.

The Bill proposes to increase the VAT-free threshold for returning passengers from 300USd to 2000USD.

This proposal is aimed at aligning the exemption threshold with the current economic conditions as well as to adjust for inflation.

Clarification on the Exemption relating to Tour operators

Paragraph 25 of the First Schedule provides for the exemption of the services of tour operators, excluding in-house supplies.

The Finance Bill proposes to provide the definition of tour operators and in-house supplies as outlined below.

“Tour operator” means a tour or safari operator licensed as such by the competent authority responsible for regulating and overseeing the tourism sector; and “in-house supplies” means 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.

This proposal is aimed at restricting the VAT exemption to licensed tour operators.

Exemption of Services Relating to public private partnership framework

The Bill proposes to exempt the supply of services for the direct and exclusive implementation use of in the 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.

This proposal is intended to lower the associated costs for such projects and attract investors.

Change of VAT Categories Status

Zero-rated to Exempt

- ✓ Inputs or raw materials (either produced locally or imported) supplied to pharmaceutical manufacturers in Kenya for manufacturing medicaments, as approved from time to time by the Cabinet Secretary in consultation with the Cabinet Secretary responsible for matters relating to health.
- ✓ Transportation of sugarcane from farms to milling factories.
- ✓ The supply of locally assembled and manufactured mobile phones.
- ✓ The supply of motorcycles of tariff heading 8711.60.00.
- ✓ The supply of electric bicycles.
- ✓ The supply of solar and lithium ion batteries.
- ✓ The supply of electric buses of tariff heading 87.02.
- ✓ Inputs or raw materials locally purchased or imported for the manufacture of animal feeds.
- ✓ Bioethanol vapour (BEV) Stoves classified under HS Code 7321.12.00 (cooking appliances and plate warmers for liquid fuel).

With the goods being transitioned from zero-rate to exempt, the input tax will no longer be claimable and the cost may be pushed to the consumers.

Exempt to standard Rated

- ✓ All goods and parts thereof of chapter 88
- ✓ Direction-finding compasses, instruments and appliances for aircraft.
- ✓ 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. For the purposes of this paragraph, "recreational parks" means an area or a building where a person can voluntarily participate in a physical or mental activity for enjoyment, improvement of general health, well-being and the development of skills.
- ✓ 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.
- ✓ The supply of denatured ethanol of tariff number 2207.20.00.

This proposal likely to increase the cost of these goods as the normal VAT rate will now apply.

Standard rated to Exempt

- ✓ Dialyzers of tariff number 8421.29.00
- ✓ Scrap metal
- ✓ The supply of imported or locally purchased telephones for cellular networks and other wireless networks
- ✓ Worn clothing and other worn articles of tariff heading 6309, other than upon importation.
- ✓ 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.

This proposal seeks to lower costs by exempting the goods from tax. However, the related input tax may no longer be recoverable, which could result in the additional cost being passed on to consumers.

C. EXCISE DUTY ACT

Introduction of the Definition of Antique, Vintage or classic vehicle

The Bill proposes to introduce a definition of antique, vintage or classic vehicle to mean 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 proposed definition is aimed to provide clarity on what qualifies as antique, vintage or classic vehicles for the application of excise duty.

Excise Duty for Telephones and Wireless Networks

The Bill proposes the application of excise duty at a rate of 25% on locally purchased or imported cellular telephones and wireless networks which shall become due and payable at the point of activation.

Additionally, the Cabinet Secretary will prescribe regulations on the timing of liability for telephones and wireless networks.

This proposal aims to shift taxation to the point of use rather than on stock ownership from importation or manufacture. However, it will require improved coordination and reporting between the business in this industry and KRA to ensure proper tracking on the activations to ensure compliance.

Changes relating to Betting & Gambling

The Bill proposes to change the excisable value on betting from the amount deposited into a customer's betting wallet to the amount deposited for betting purposes.

The Bill further proposes to define amount deposited for gambling or betting purposes to be 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 licensed to offer gambling services.

This amendment provides certainty on the taxable amount and limit opportunities for tax avoidance in the betting and gambling industry.

Definition of Virtual Assets and Virtual Asset Service Providers

The Bill proposes to define the terms "virtual asset" to mean a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes and does not include representation of flat currencies, securities and other financial assets and "virtual asset service provider", means a company licensed under the first schedule to the Virtual Asset Service Providers Act, 2025

This definition aims to clarify the aspects of Virtual assets and bring them in the ambit of excise duty taxation.

Excise Duty Exemption to National Intelligent Service

The Bill proposes an excise duty exemption on all goods including materials supplies, equipment, machinery and motor vehicles for the official use by National Intelligence Service (NIS).

This change may lower the operational cost of NIS while at the same time lower the revenue received by government since these goods will no longer be subjected to excise duty.

Increase in the Scope of Excise Duty

Description	Current Excise Duty Rate	Proposed Excise Duty Rate
All purchased spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90%, whether licensed or not	KES. 500 per litre	KES. 80 per litre
Locally produced articles of plastic of tariff heading 3923.30.00 and 3923.90.00 whether imported or locally produced	Non excisable	10%
Locally manufactured Gummed paper and paperboard of tariff number 4811.49.00	Non excisable	25% of excisable value or KES 200 per kg whichever is higher
Locally manufactured Printed self-adhesive paper of tariff number 4811.41.90	Non excisable	25% of excisable value or KES 200 per kg whichever is higher
locally processed sugar confectionery of tariff heading 17.04	Non excisable	KES 85.82 per kg

These proposals aims to expand the tax base for excise duty and enhance revenue collections.

Increase in the Excise Duty Rate

Description	Current Excise Duty Rate	Proposed Excise Duty Rate
Cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes	KES 16,260.29 per kg	KES 18,000 per kg
Other manufactured tobacco and manufactured tobacco substitutes; “homogenous” and “reconstituted tobacco”; tobacco extracts and Essences	KES 11,382.48 per kg	KES. 12,550 per kg

Fruit juices (including grape must) and vegetable juice, unfermented, containing added sugar or other sweetening matter and not containing added spirit	KES. 14.14 per litre	KES. 20 per litre
Beer, cider, perry, mead, opaque beer and mixtures of fermented beverages with non-alcoholic beverages and spirituous beverages manufactured by licensed small independent	KES 10 per centiliter of pure alcohol	KES. 22.50 per centiliter of pure alcohol
Telephones for cellular networks	10% of the excisable value.	KES. 22.50 per centiliter of pure alcohol

The government aims to boost revenue collection by increasing excise taxes on these products, thereby widening the tax base through a focus on commonly consumed goods and fast-growing market segments.

Removal of Excise Duty on Products

Description	Current Excise Duty Rate	Proposed Excise Duty Rate
Bottled or similarly packaged waters	KES. 6.41 per litre	Non excisable

This proposal may lower production costs for manufacturers.

Introduction of Excise Duty on Products

Description	Proposed Excise Duty Rate
Antique, vintage and classic vehicles	50% of the excisable value
Coal	5% of excisable value
Horse racing	5% of the amount deposited for gaming

This proposal aims to expand the excise duty tax base on luxurious items.

Subjection of EAC Goods to Excise Duty

Description	**Tariff**	**Excise Duty rate**
Imported furniture	9403	30% of Excisable value
Imported printed gummed or self-adhesive paper	4811.41.90 or 4811.49.00	25% of excisable value or KES. 200 per kg, whichever is higher
Imported plates of plastic	3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90	25% or KES. 200 per kg, whichever is higher
Imported paper or paper board, labels of all kinds	4821.10.00 and 4821.90.00	25% or KES 200 per kg, whichever is higher
Imported printing ink	3215.11.00 and 3215.19.00	15% of Excisable value
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, but excluding those imported by a registered processor upon the recommendation by the Cabinet Secretary responsible for matter relating to industry.	7005	35% of excisable value or KES 500 per square meter whichever is higher
Imported other self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls	3919.90.90	25% or KES 200 per kg whichever is higher
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	3920.10.90	25% or KES 200 per kg whichever is higher
Imported printed polymers of vinyl chloride containing by weight not less than 6% 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 3920.43.90	3920.43.90	25% or KES 200 per kg whichever is higher
Imported printed poly (ethylene terephthalate) of polycarbonates, alkyd resins, polyallyl esters or other plates, sheets, film, foil and strip, of plastics,	3920.62.90	25% or KES 200 per kg whichever is higher

noncellular and not reinforced, laminated, supported or similarly of tariff number 3920.62.90		
Imported printed cellular of other plastics of other plates, sheets, film, foil and strip	3921.19.90	25% or KES 200 per kg whichever is higher
“Imported Uncoated kraft paper and paperboard, in rolls or sheets; kraftliner; unbleached.	4804.11.00	25% of excisable value or KES.50 per kg, whichever is higher.
Imported other kraft paper or paperboard weighing 150g/m² or less, in rolls or sheets; unbleached.	4804.31.00	25% of excisable value or KES 50 per kg, whichever is higher
Imported other kraft paper or paperboard weighing more than 150g/m² but less than 225 g/m², in rolls or sheets; unbleached	4804.41.00	25% of excisable value or KES 50 per kg, whichever is higher
Imported other kraft paper or paperboard weighing 225 g/m² or more others in rolls or sheets; unbleached.	4804.51.00	25% of excisable value or KES 50 per kg, whichever is higher
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	70.03,70.04 or 70.05	35% of excisable value or KES 500 per square metre, whichever is higher
Imported safety glass	7007.19.00 and 7007.29.00	35% of excisable value or KES. 500 per squaremetre, whichever is higher
Imported Multiple-walled insulating units of glass	70.08	35% of excisable value or KES. 500 per squaremetre, whichever is higher

The proposal seeks to expand excise tax collection by applying this tax to goods from EAC partner states, even though such goods usually receive preferential treatment under EAC trade rules. This proposal may conflict with the EAC’s goal of promoting free trade among member countries as it would increase production costs and make the goods costlier.

D. TAX PROCEDURES ACT

Re-Introduction of Tax Amnesty

The Bill seeks to reintroduce tax amnesty on interest, penalties and fines relating to tax liabilities, provided that the principal tax was settled on or before 31 December 2025. In cases where the principal tax remains unpaid, the amnesty will be granted once and only on the condition that all outstanding principal taxes are fully settled by 31 December 2026.

This is a positive proposal aimed at encouraging tax compliance and facilitating the settlement of principal tax liabilities. Taxpayers should remain alert and take advantage of the amnesty should this be implemented through the Finance Act, 2026.

Tax Avoidance Schemes

The Finance Bill proposes to introduce a provision empowering the Commissioner to assess the tax liability of a person who has derived a tax benefit from a tax avoidance scheme, based on information submitted to the Commissioner.

This proposal underscores the need for taxpayers to ensure that their business arrangements have sufficient commercial substance, particularly in light of the various sources of information available to the Commissioner to undertake review of business operations.

Tax Enforcement Measures to Apply Despite the Existence of an Active Appeal

The Finance Bill seeks to delete the provision that restricts the Commissioner from tax enforcement measures where the taxpayer has appealed against an assessment specified in the decision of the Tribunal or Court.

The implication of this proposal is that the Commissioner would be permitted to institute tax enforcement and recovery measures even where a taxpayer has an active appeal before the Tribunal or the Courts.

This means that taxpayers may face enforcement actions such as agency notices or other recovery measures despite the dispute remaining unresolved. Consequently, taxpayers could experience increased cash flow and operational pressures while awaiting the determination of their appeals.

Penalty for failure to deduct or withhold tax

The Bill proposes to amend Section 39 by empowering the Commissioner to collect principal tax where withholding agents fail to deduct, withhold or remit the tax even in the case where the recipient has paid and fully remitted the principal tax.

The implication of this proposal is that withholding agents may still be held liable for the principal tax even where the recipient of the income has already declared and fully paid the tax due.

Determination of Timelines for Objections & Appeals

The Bill proposes to amend the current provisions by changing the computation of statutory timelines from working days to calendar days.

The implication of this amendment is that compliance timelines will become shorter in practice, as weekends and public holidays will now be included in the computation of time. Consequently, taxpayers may face increased pressure to meet the deadlines for objections and appeals, thereby necessitating more proactive tax compliance and internal monitoring processes to avoid penalties or the loss of statutory rights.

PIN Re-instatement for Tax Payers

The Finance Bill proposes to introduce a provision empowering the Commissioner to re-register a person whose PIN had previously been deregistered and to reissue the same PIN once the person becomes eligible for registration again.

The implication of this proposal is that taxpayers will retain continuity of their tax records and historical compliance data through the use of the same PIN upon re-registration. This may enhance tax administration and monitoring by enabling the Commissioner to seamlessly track a taxpayer's obligations and compliance history. Taxpayers should therefore ensure that any outstanding tax liabilities or compliance issues linked to previously deregistered PINs are adequately addressed, as such records may remain traceable upon reinstatement**.**

Non-Resident PIN Exemption

The Bill proposes to exempt non-resident persons from the requirement to obtain a Personal Identification Number (PIN) when opening an account with an investment bank.

This may enhance the attractiveness of the local investment market to foreign investors by reducing administrative and compliance barriers, thereby promoting greater participation and facilitating cross-border investments.

Automatic Exchange of Information on Virtual Transactions

The Bill proposes to empower the Commissioner to enter into agreements with other jurisdictions for the automatic exchange of information relating to virtual asset transactions.

The implication of this proposal is that tax authorities will have enhanced access to cross-border information on virtual asset transactions, improving transparency and reducing opportunities for tax evasion or concealment of digital asset income.

Default Assessments Based on Available Information

The Bill seeks to empower the Commissioner to make tax assessments using available information. This appears intended to formalize the current practice of relying on data such as eTIMS records, iTax and other third-party sources. However, this represents a shift from the existing self-assessment system and could potentially lead to increased disputes.

Removal of the Requirement for a certificate of Origin

The Bill proposes to repeal Section 44A of the Tax Procedures Act, which currently requires all goods imported into Kenya to be accompanied by a certificate of origin. This amendment may be linked to the proposed removal of preferential treatment for East African Community (EAC) partner states, which would in turn eliminate the need for such certificates.

Virtual Assets & Virtual Assets Service Provider Definitions and Reporting Requirements.

The Bill introduces new definitions for "virtual assets" and "virtual asset service providers." It also proposes requiring virtual asset service providers to file mandatory annual information returns. This proposal aims at enhancing transparency by giving tax authorities better visibility of virtual assets transactions such as crypto to improve tax compliance and revenue collection.

Penalty for failing to comply with electronic tax system.

The Bill seeks to introduce penalties and interest for non-compliance with electronic tax payment requirements under Section 75 of the Act. The penalty would be the greater of twice the tax due, KES 100,000, or KES 10,000 for individual taxpayers.

This generally signifies increased costs in cases of non-compliance with electronic tax system.

E. MISCELLANEOUS FEES & LEVIES

Allocation of Import Declaration Fee (IDF)

The Bill proposes to reduce the allocation of the Import Declaration Fee paid into a Fund established and managed in accordance with the Public Finance Management Act from twenty percent to ten percent.

The Bill further proposes to remove the revenue earmarked for revenue enforcement initiatives from the Fund which is currently ten percent.

The proposed amendments are likely to reduce the level of financing available to the Fund, although the changes may be intended to align allocations with prevailing budgetary needs. Further, the removal of revenue earmarked for enforcement initiatives may adversely affect enforcement agencies such as the Kenya Revenue Authority, potentially limiting their capacity to undertake effective revenue enforcement, compliance monitoring, and anti-smuggling operations.

Restriction of Import Declaration Fee (IDF) & Railway Development Levy (RDL) Exemption currently available items of Chapter 88 - Aircraft, spacecraft, and parts thereof.

The current exemption applies to all goods and parts thereof of aircraft, spacecraft and parts thereof.

The Finance Bill proposes to limit this exemption by having the exemption to be only applicable to all parts of Chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00.

This implies that aircraft and spacecraft related goods falling outside the specified tariff headings will be subject to IDF and RDL thereby increasing the cost of importation for affected industry players. This may lead to higher operational and maintenance costs for the aviation sector and could discourage the importation of certain aircraft parts and equipment that were previously exempt.

Exemption of Imported Telephone from IDF & RDL

The Bill proposes to exempt imported telephones for cellular and other wireless networks from the Import Declaration Fee and Railway Development Levy. This exemption may have been introduced to mitigate the impact of the increased Excise Duty on telephones, although it does not fully offset the effect.

F. STAMP DUTY ACT

Exemption on Transfer of Property to Real Estate Investment Trust

The Bill proposes to include an exemption relating to the transfer of beneficial interest in property from a person or persons to the real estate investment trust.

This proposal is intended to address existing gaps in the REIT exemption framework by ensuring that transfers of property to REITs qualify for exemption from Stamp Duty.

G. ROAD MAINTENANCE LEVY ACT

Reduction in the Allocation of Road

The Bill proposes reduction in the allocation of the road maintenance levy into the Road Annuity Fund from three shillings per litre of petroleum sold to one shilling and fifty cents.

This reduction is likely to decrease the funding available for road annuity projects, which may slow the implementation and maintenance of road infrastructure projects financed through the Fund.

CONTACTS

For any further clarification on the Finance Bill, 2026 or any other tax and legal matters, please contact us via the details below;

Email; info@intelpointconsulting.com

Contact; 0714 348 150/ 0106 245 124

Website; intelpointconsulting.com

Location ; 11th Floor, Nachu Plaza, Kiambere Rd, Upper Hill, Nairobi Kenya