TAX ALERT

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Finance Act 2026, Key Highlights.

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FINANCE ACT, 2026: Key Highlights

The Finance Bill, 2026 was assented by the President of the Republic of Kenya on 23rd June 2026, thereby enacting it into law as the **Finance Act, 2026** ("The Act")

The Act introduces several tax and administrative changes that will impact taxpayers, businesses and investors. Below is a summary of the key amendments:

1. **Re-introduction of Tax Amnesty** - The Act reintroduces a tax amnesty on penalties, interest, and fines relating to tax liabilities. Taxpayers who settled their principal tax liabilities on or before 31 December 2025 will qualify for the amnesty automatically. Where the principal tax remains outstanding, the amnesty will apply provided the full principal tax is paid by 31 December 2026.

2. **Withholding Tax on card-related payments** - Interchange fees and merchant service fees arising from card-based payments transactions are now subject to withholding tax.

3. **Introduction of Non-Resident Rental Income Tax** - Non-resident persons earning income from the use or occupation of property situated in Kenya will now be subject to non-resident rental income tax and will be required to register and account for the tax through a simplified registration framework.

4. **Adjustment of Input VAT on Exempt Supplies -** Taxpayers will be required to adjust previously claimed input VAT on taxable goods or services that subsequently become exempt, where such supplies remain unsold at the time of the exemption. The adjustment must be made in the VAT return for the period in which the change takes effect.

5. **Value Added Tax on Payment Service Providers' Services –** The services of payment service providers including payment processing, settlement, merchant acquiring, gateway aggregation services supplied over a software or platform for a fee or commission by a payment service provider have been expressly removed from the list of VAT- exempt financial services and are now subject to VAT.

6. **Commissioner empowered to issue assessments based on available information** – This implies the use of eTIMS data, Pre-populated returns, Withholding filings, VAT filings, third-party data and virtual asset reporting data to issue assessments. This underscores the growing reliance on data-driven tax compliance and enforcement.

Stay tuned for our detailed analysis of the Finance Act, 2026, where we will examine the amendments in greater depth and discuss their practical implications for businesses and taxpayers.

CONTACTS

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

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