# FINANCE ACT 2025 HIGHLIGHTS

# Consolidating Gains under Bottom-Up Economic Transformation Agenda for Inclusive Green Growth

# The Finance Act, 2025

# INCOME TAX ACT

# Phased Implementation of Legal Sections

**1st July, 2025**

Implementation of all sections except 14 and 62

**1st January, 2026**

Implementation of sections 14 and 62

| Item | Finance Act 2025 | Comments |
|---|---|---|
| Debenture | Includes any debenture stock, mortgage, mortgage stock, or any similar instrument acknowledging indebtedness, secured on the assets of the person issuing the debenture. | This provides clarity on what constitutes a debenture. |
| Individual retirement fund | Means a fund held in trust by a qualified institution for a resident individual for the purpose of receiving and investing funds in qualifying assets in order to provide pension benefits for such an individual or the surviving dependents of such an individual. | Individual retirement funds will no longer be required to follow retirement benefit rules simplifying the process. |
| Withdrawals | The term 'winnings' had been deleted from the ITA and replaced with 'withdrawals.'<br><br>'Withdrawals' means the amount of money withdrawn by a customer from their betting or gaming wallet maintained by a person licensed under the Betting, Lotteries and Gaming Act. | Provides clarity on the amount on which tax is applicable on betting. |
| Related persons | Persons shall be considered related if one person participates directly or indirectly in the management, control, or capital of the business of the other. Where more than two persons are involved, they will be deemed related if there is another person who directly or indirectly participates in the management, control, or capital of both. Additionally, an individual is considered related to two persons if they are associated by marriage, blood (consanguinity), or affinity, and the two persons also participate in the management, control, or capital of that individual's business. | This expands the definition of related persons to now include persons associated through marriage, consanguinity or affinity. |
| Compensating tax | The definition of the term 'compensating tax' had been repealed. | Compensating tax will no longer be applicable. |

| Item | Finance Act 2025 | Comments |
|---|---|---|
| Ascertainment of income of insurance companies. | Substitutes ‘Life fund’ with ‘Life Insurance Fund’. | This is in line with the terminologies used in the Insurance Sector and removes any ambiguities. |
| Members’ Clubs and trade associations | The definition of Gross Investment receipts has been deleted for member clubs or trade associations. | Align with changes effected by Finance Act 2023 |
| Accounting periods not coinciding with year of income | When applying to change the accounting period, the Commissioner will now be required to respond within 3 months, as opposed to the previously provided six months.<br><br>Where the commissioner does not give a response within 3 months, the application will be deemed allowed. | This provides for a shorter turnaround time on approval of change of year end by the KRA.<br><br>The application being deemed allowed in a case where there is no response poses a challenge considering the change is done via iTax, a system managed by KRA |

| Item | Finance Act 2025 | Comments |
|---|---|---|
| Capping of tax losses to 5 years | Entities that have accumulated tax losses will only be allowed to carry them forward for a period of 5 years. | Capping of losses will be a challenge especially for capital intensive investors. |
| Option to apply for Extension | An application for extension beyond the 5 years can be made to the CS with the recommendation of the Commissioner, giving evidence of inability to extinguish the deficit within that period. | The option to apply for an extension is a reprieve as it gives a chance to claim legitimate tax losses. |
| Significant Economic Presence Tax (SEPT) – widening of scope | The Act expands the scope of SEPT of include income earned from provision of services carried over the internet or an electronic network by non-resident persons.<br><br>will now apply to all non-resident persons, irrespective of their annual turnover, whereas the previous provision had limited its application to those with an annual turnover of at least KES 5 million.<br><br>The Cabinet Secretary may make Regulations for the better implementation of this section by 31st December 2025. | Expansion of tax base to cover income earned by non resident persons without physical presence in Kenya |
| Digital Asset Tax Repealed | Digital Asset Tax is no longer applicable.<br><br>This has been replaced with 10% Excise Duty on fees charged by platform owner for transfer of asset. | This offers relief to players disposing assets in the digital space who faced challenges trying to implement the law. |
| Due date for Minimum Top Up tax | Minimum tax to be paid by the end of the fourth month after the end of year of income. | This provides clarity to taxpayers on the timeline when minimum tax is payable. |

| Item | Finance Act 2025 | |
|---|---|---|
| Diminution in value for loose tools | The amount considered as diminution of value of any implement, utensil or similar article to be granted allowance at 100% in that year of income | This is a welcome move for taxpayers. |
| No requirement of a Surrogate entity to file CBCR | Where there are more than one constituent entities of the same multinational enterprise group resident in Kenya, the multinational enterprise group may designate one of such constituent entities as to file a country by country report. | This simplifies country by country reporting for MNEs and their constituents. |
| Taxation of;<br><br>Nairobi International Finance Centre -certified companies | **Tax Holidays:**<br>• NIFC companies: Tax rate at 15% for the first 10 years and 20% for the next 10 years<br>• NIFC start-ups: Tax rate at 15% for the first 3 years and 20% for the next 4 years<br>**Conditions:**<br>• KShs. 3B investment in 3 years (for companies).<br>• 60-70% Kenyan senior hires (for NIFC entities).<br>• Exemption: Dividends from Nairobi International Finance Centre-certified companies reinvesting at least KShs. 250M in Kes | This encourages investment in the financial sectors and places Kenya as a preferred country for investment. |



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| Item | Finance Act 2025 | |
|---|---|---|
| CGT | Clarifies that transfer of assets to a company where an individual holds 100% shareholding is CGT exempt | This means more tax savings for individual tax payers transferring assets which might encourage more transfers. |
| Extension of timelines for Issuance of Tax Exemption Certificate by KRA | KRA will now be required to issue a Tax Exemption Certificate within 90 days where an applicant has complied with all the requirements.<br><br>Previously, the set time was 60 days | This will give KRA more time to review applications. |
| Exemption requirement for transfer of property in SEZ | Gains on the transfer of property within a Special Economic Zone will be required to be made by a licensed special economic zone developer, enterprise, or operator to be exempt from tax. | More requirement needed for exemption in SEZ |
| Capital Markets Authority<br><br>Exemption on gains from transfer of securities | Gains on transfer of securities traded on any exchange licensed by the Capital Markets Authority is not chargeable to tax | This shows government support to exchanges licensed by CMAs and their investments. |
| Sports facility on public ground | Expenditure incurred in construction of a sports facility on public grounds is exempt from tax. | Encourages sporting activities but limited only at public grounds. |

# Advance Pricing Agreements (APAs)

**Item**

- The Act provides allowing individuals with related party transactions to enter APAs with the KRA.
- APAs shall be valid for up to five years to establish arm's length prices.

**Consequences of Misrepresentation**

- KRA issues written notice.
- Agreement declared null and void from inception date.

**Our Comments**

APAs will provide the following benefits to taxpayers:

i. Provides certainty and reduces assessment risks for multinational groups.

ii. Taxpayers can engage with KRA for arm's length pricing of intercompany transactions.

| Item | Finance Act 2025 | Comments |
|---|---|---|
| WHT on supply of goods to public entities | Public entities will be required to withhold tax when making payment to their suppliers | This provides alignment with Tax Amendment Laws, 2024 hence providing clarity in Tax Laws. |
| WHT on making payment over a digital marketplace | Making or facilitating payment over a digital marketplace will now attract WHT | This provides alignment with Tax Amendment Laws, 2024 hence providing clarity in Tax Laws. |
| WHT on withdrawals by punters | Earnings from betting will now be subject to 5% WHT on withdrawals made by punters. | Provides clarity on the amount applicable to tax. |
| WHT on income from business of ship owner or charterer | WHT to apply on gains or profits derived from the business of ship owner or charterer. | This will help KRA to track taxpayers providing ship or charterer services and seek collection of revenue. |
| Exemption of WHT on technical service to national carrier offered by a non-resident | Payments to a non-resident for specialized technical, maintenance, compliance, training or digital systems support services offered to the national carriers are exempt from WHT.<br><br>This applies where such services are not available in Kenya or the service provider is certified or accredited by an international regulatory, standard-setting or license body. | This will support the national carrier in acquisition of technical services needed. |
| No WHT on scrap metal sales | The provision for WHT on sale of scrap on residents has been repealed. | This is a reprieve in the scrap metal business. |



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| Item | Finance Act 2025 | |
|---|---|---|
| Taxation of Fringe benefits | Provides for taxing fringe benefits provided to employees at 30% | This will ease burden especially for high income earners in the PAYE brackets of 32.5% and 35%. |
| Per Diem revised from Kshs 2,000 to Kshs.10,000 | Amounts of up to Kshs 10,000 received by employees for payment of their subsistence, travelling, entertainment or other allowance, when outside his usual place of work while on official duties, shall be deemed to be reimbursement of the amount so expended and shall be excluded in the calculation of his gains or profits; | This will ease administrative burden especially with the current requirement to have expenses supported by eTims compliant invoices. |
| Payment of Gratuity | Expands exemptions for gratuity | There will be more take home for employees. |
| Mortgage Interest | Allowable interest on mortgage limited KShs.360,000 annually to now cover construction of premises. | This provision expands the scope of the allowable amount, more employees to benefit from it. |
| Allowances paid under a pension scheme | Other allowances paid under a pension scheme are exempt from tax | Provides clarity on the provision. |
| Allowable deductions<br><br>SHIF, AHL,NSSF | Am employer is required to grant an employee all applicable deductions, reliefs and exemptions in computing their taxable emoluments | Aligns with the Tax Laws Amendment Act. |

# VAT

| Item | Finance Act 2025 | Comments |
|---|---|---|
| Definition of a tax invoice | The Finance Act, 2025 has defined a tax invoice to include electronic invoicing systems. | Amendment aligns VAT Act with Income Tax Act and Tax Procedures Act on electronic tax invoice issuance. |
| Definition of place of supply of services | The Finance Act, 2025 has redefined the place of supply of services by adding the word “and” after the word unregistered person. | This gives completeness and clarity to the provision. |
| Radio or television broadcasting services not deemed to be supplied in Kenya | If a service provider is based outside Kenya offering radio or television broadcasts received by an individual or business in Kenya, then the Kenya Revenue Authority will not treat it as a supply made in Kenya | This change narrows the scope of VAT on imported broadcasting services and could reduce compliance burdens for foreign media entities, but it may also limit the Kenya Revenue Authority's ability to tax cross-border digital services.. |
| Widening the scope of electronic services | The Finance Act 2025, has included internet- based radio and television broadcasting services which will be subject to VAT if consumed in Kenya. | The inclusion of internet radio and TV broadcasting services under the VAT framework reflects the government’s effort to align tax policy with evolving media consumption trends and promote equity across traditional and digital broadcasters. However, this may result in increased subscription costs for consumers and added compliance obligations for digital service providers. |

| Item | Finance Act 2025 | Comments |
|---|---|---|
| Period for lodging a claim for VAT refund reduced from 24 months to 12 months | The Finance Act 2025 reduces the period for lodging a VAT Refund claim from 24 months to 12 months. This means taxpayers must submit claims for refunds or disputes within a year instead of two years. | This amendment streamlines the claims process and encourages timely resolution, but it may place pressure on taxpayers to act more quickly, potentially disadvantaging those who need more time to gather necessary documentation. |
| Input VAT deduction on supplies to official aid-funded projects by manufacturers disallowed. | The Finance Act 2025 removes the provision that allowed registered manufacturers to deduct input tax on supplies made to official aid-funded projects approved by the Cabinet Secretary. This means manufacturers can no longer claim input VAT for these supplies. | This is to align this provision with the amendment brought in by the Tax Laws Amendment Act, 2024. |
| Excess credits arising from zero- rating or exempting a taxable supply from 1st July 2023 | The Finance Act 2025 has substituted the provision that allowed excess credit relief for supplies that became zero-rated or exempt due to rate changes as of 1st July 2022. The new provision now limits the relief to excess credits arising from taxable supplies that specifically became zero-rated on 1st July 2023.<br><br>It also changes the mechanism for seeking relief to applying for a refund within 6 months from the commencement of this provision. | This change narrows the eligibility for VAT refunds to only those with excess credits from supplies that became zero-rated from first July 2023.<br><br>The process focuses on refund rather than relief and also imposes a strict 6-month window to apply. |
| Reduction of Timeframe for VAT Refund on bad debts | The Finance Act 2025 amends the VAT Act by reducing the period after which a registered person can claim refund for bad debts on unpaid supplies from 3 years to 2 years. | This change encourages quicker resolution of unpaid tax claims arising from bad debt and promotes timely financial reconciliation. It also shortens the window for a taxpayer to seek refund from the Commissioner. |

| Item | Finance Act 2025 | Comments |
|---|---|---|
| Expanded Offset of VAT Credit from Bad Debts to cover any other VAT Liabilities | The Finance Act 2025 expands the offset of VAT credit arising from bad debts to include any other VAT Liability with the discretion of the Commissioner. | This amendment gives businesses more flexibility by allowing VAT credits from bad debts to offset any other VAT liability, not just future VAT Liabilities, subject to the Commissioner's approval. |
| Clarification of timeframe to refund to the commissioner refunds recovered from bad debts | The Act has deleted the requirement for the taxpayer to refund the Commissioner the tax refunded by the Commissioner in cases of recovery of bad debt. This refund was to be made within 60 days of recovery. | This gives clarity that the timeline for a taxpayer to refund recovered refunds to the Commissioner is 30 days.<br><br>Failure to refund the taxes will no longer accrue interest of 2% per month. |
| Issuance of tax invoice on all supplies | The Finance Act deletes the word "taxable" on the requirement to furnish a purchaser with a tax invoice at the time of supply. This means all supplies should be issued with a tax invoice whether exempt or not. | This provision harmonizes the VAT Act with the Income Tax Act and the Tax Procedures Act regarding eTIMS requirements, promoting consistency across tax reporting frameworks. |
| Tax Liability on Misuse or Disposal of Exempt or Zero-Rated Supplies | The Finance Act 2025 introduces a provision that requires persons who acquire exempt or zero-rated goods or services and later use them for purposes other than those intended, to pay VAT at the applicable rate at the time of such disposal or inconsistent use. | This amendment strengthens compliance by ensuring that tax benefits are only enjoyed when supplies are used as intended under exemption or zero-rating provisions. |

# EXEMPT TO STANDARD RATED

| Item | Previous Rate | Current Rate (Per the Finance Act 2025) |
|---|---|---|
| Taxable goods imported or purchased for direct and exclusive use in geo-thermal, oil or mining prospecting or exploration by a licensed company in accordance with the Energy Act, Petroleum Act or Mining Act upon approval by CS.<br><br>Projects currently approved exemption valid until 30th June 2026. | Exempt | **Standard Rate** |
| Discs, tapes, solid state non-volatile storage devices “smart cards” and other media for recording of sounds or other phenomena approved by CS excluding chapters of Section 37.<br><br>Projects currently approved with the exemption valid until 30th June 2026. | Exempt | **Standard Rate** |
| Taxable goods of Chapter 5407 and 6309 imported as raw materials for manufacture of textile products in Kenya. | Exempt | **Standard Rate** |
| Fuel, lubricants and tires for vehicles imported or purchased for direct and exclusive use in implementation of official aid funded projects approved by CS of National Treasury. | Exempt | **Standard Rate** |

# STANDARD RATED TO EXEMPT

| Item | Previous Rate | Current Rate (Per the Finance Act 2025) |
|---|---|---|
| Packaging materials for tea and coffee approved by CS | Standard Rate | **Zero rated** |
| Alcoholic or non-alcoholic beverages supplied to the Defense Forces Welfare Services | | Replaced by “All goods imported or purchased locally by the Defense Forces Welfare Services”- **exempt** |

# NEW ITEMS ADDED BY THE FINANCE ACT 2025

| Item | Previous Rate | Current Rate (Per the Finance Act 2025) |
|---|---|---|
| Mosquito repellent | Zero Rated | **Exempt** |
| Inputs, machinery and raw materials used in the manufacture of mosquito repellent on recommendation by the Cabinet Secretary responsible for matters relating to health. | Zero Rated | **Exempt** |
| The supply of locally consumed teas. | Standard Rate | **Exempt** |
| Taxable services supplied to manufacturers of mosquito repellent upon recommendation by CS responsible for matters relating to health. | Standard Rate | **Exempt** |
| Accommodation, restaurant, beauty salon and laundry services provided by the Defense Forces Welfare Services | Standard Rate | **Exempt** |
| Taxable services for direct and exclusive use of the Defense Forces Welfare Services. | Standard Rate | **Exempt** |
| Placebos and blinded clinical trial kits for recognized clinical trial, put up measured doses of tariff number 3006.93.00 | Standard Rate | **Exempt** |



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# EXCISE DUTY

| Item | Finance Act 2025 | Comment |
|---|---|---|
| Definition of Digital Lender | The Finance Act 2025 expands the definition of a digital lender to include any person extending credit through an electronic medium excluding banks, SACCOs and microfinance institutions.. | This means that all other persons extending credit through an electronic media will be subject to excise duty at 20% |
| Definition of Digital Marketplace | The Finance Act 2025, introduces the meaning of a "digital marketplace" as an online or electronic platform which enables users to sell or provide services, goods to other users. | Provides clarity |
| Definition of micro distiller | The Finance Act 2025 introduces the meaning of a ''micro distiller'' as a manufacturer of a spirituous beverage through two fundamental processes of fermentation and distillation using a still boiler not exceeding 1800 litres and whose annual production volume does not exceed 100,0000 litres per year | The definition gives a clear distinction for applicability of exemptions provided in the law. |
| Expansion of scope for excisable services offered by a non-resident | The Act expands the scope of excisable services offered by non-residents to include services offered over the internet, an electronic network or through a digital marketplace. | This creates a wider tax bracket for collection of taxes. |
| Definition of non- resident person | The Act defines a "non-resident person" as a person who is outside Kenya | This provides a different meaning for non-resident person for tax purposes as provided for in the Income Tax Act. It is important to note this difference. |
| Place of supply of excisable services | The Act expands the place of supply for excisable services to include services supplied by a person whose place of business is outside Kenya, but consumed by a person in Kenya via the internet, an electronic network, or a digital marketplace. | With growth of businesses being carried out in the digital space the KRA seeks to collect more by expanding the tax base. |

| Item | Finance Act 2025 | Comments |
|---|---|---|
| Activities requiring license | The Finance Act 2025 expands the list of activities requiring licensing to including the importation, distribution, or handling of methanol and ethanol in Kenya. | This requirement for licenses seeks to ensure more compliance in the sector and also provide visibility for the KRA on importers and handlers of methanol and ethanol. |
| Exemption of micro distillers | The finance act exempts a licensed micro distiller from the requirement of maintaining automation, continuous piping and the use of mass flow meters The act further guides that the volume of production for the micro distiller shall be ascertained and monitored through the use of excise stamps or such other mechanisms as the commissioner may prescribe . | This is a reprieve to micro and small distillers who often face challenges in acquiring and managing systems required for automation. |
| Timeframe for issuance of a license by the commissioner | The Finance Act 2025, introduces a 14-day timeframe after receipt of the required documents for the Commissioner to grant or refuse an application of a license. | This streamlines the license issuance and approval process , which is a win for taxpayers. |

| Item | Description as per Finance Act 2025 |
|---|---|
| Goods exempt from excise duty | Imported eggs |
| | Imported onions, coal ,cosmetics |
| | Imported potatoes, potato crisps, and potato chips |
| Good exempt from excise duty excluding those originating from East African Community Partner States | Imported self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes of plastic |
| | Printed paper or paper boards, |
| Good exempt from excise duty | Cosmetics and beauty products |

| Item | Description | Previous Rate | Finance Act 2025 Rate |
|---|---|---|---|
| Increased rates | Imported float glass | 35% of custom value or KSh. 200 per kg | 35% of custom value or KSh. 500 per kg |
| | Imported paper or paper board | 25% or sh. 150 per kilogramme, whichever is higher | 25% or sh. 200 per kilogramme, whichever is higher |
| | Imported cartons , boxes and cases of corrugated paper | 25% | 25% or Ksh 200 per kilogram whichever is higher |
| | Imported Glass bottles | 35% | 35% or Ksh.40 per kg whichever is higher |
| | 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% of custom value or KSh. 200 per square meter | 5% of custom value or KSh. 300 per square meter |
| | Imported other self -adhesive plates, sheets, film, foil, tape, strip and other flat shapes of plastics | 25% of the excisable value or KShs. 75 per Kg, whichever is higher | 25% of the excisable value or KShs. 200 per Kg, whichever is higher |
| | Imported printed polymers of ethylene of other plates, sheets, film, foil and strips | Introduced by the Finance Act | 25% of the excisable value or KShs. 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 | Introduced by the Finance Act | 25% of the excisable value or KShs. 200 per Kg, whichever is higher |
| | Imported printed polycarbonates, alkyd resins, polyallyl esters or other polyester of other plates, sheets, film, foil and strip ,of plastics | Introduced by the Finance Act | 25% of the excisable value or KShs. 200 per Kg, whichever is higher |
| | Imported printed cellular of other plastics of other plates, sheets, film, foil and strip of tariff number 3921.19.90, but excluding those originating from EastAfrican Community Partner States that meet the East African Community Rules of Origin | Introduced by the Finance Act | 25% of the excisable value or KShs. 200 per Kg, whichever is higher |



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| Item | Description | Previous Rate | Finance Act 2025 Rate |
|---|---|---|---|
| | Printed self-adhesive paper of tariff number 4811.41.90, but excluding those originating from East African Community Partner States | Introduced by the Finance Act | 25% of the excisable value or KShs. 200 per Kg, whichever is higher |
| | Gummed paper and paperboard of tariff ,number 4811.49.00 but excluding those originating from East African Community Partner States | Introduced by the Finance Act | 25% of the excisable value or KShs. 200 per Kg, whichever is higher |
| | Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages | Introduced by the Finance Act | Ksh. 500 per Liter |
| | Imported tea whether or not flavored | Introduced by the Finance Act | 25% of excisable value |
| | Imported Uncoated kraft paper and paperboard, in rolls or sheets; kraft liner; unbleached but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin | Introduced by the Finance Act | Introduced by the Finance Act<br>25% of excisable value or kshs.50 per kilogramme, whichever is higher. |
| | Imported Glass bent, edge-worked, engraved, drilled, enamelled or otherwise worked, but not framed or fitted with other materials , of Tariff Heading 70.06, but excluding those from East Africa Community Partner States that meet the East Africa Community Rules of Origin. | Introduced by the Finance Act | 35% of excisable value or KShs. 500 per square metre, whichever is higher |
| | Imported safety glass of tariff numbers 7007.19.00 and 7007.29.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin. | Introduced by the Finance Act | 35% of excisable value or KShs. 500 per square metre, whichever is higher |
| | Non-refillable lighters | Introduced by the Finance Act | 25% of excisable value or Ksh 500 per kilogramme |
| | Imported Multiple-walled insulating units of glass of Tariff Heading 70.08, but excluding those from East Africa Community Partner States that meet the East Africa Community Rules of Origin | Introduced by the Finance Act | 35% of excisable value or Kshs. 500 per square metre, whichever is higher |
| | Imported fully built and semi-built direct air capture machines | Introduced by the Finance Act | 25% of excisable value |

# TAX PROCEDURES ACT

| Item | Amendment | Comments |
|---|---|---|
| Certificate of origin | This is an official document issued by a competent authority of the government of the source country which certifies that the goods being imported into Kenya were manufactured in that particular source country<br><br>No importation into Kenya without a valid certificate of Origin | Importers will face stricter compliance requirements |
| Clarity on Exemptions from eTIMS invoicing | The Act provides that electronic tax invoice may exclude payments of emoluments, payments for imports, payments of interest, transaction for accounting for investments allowances, airline passenger ticketing and payments subject to withholding tax that is a final tax. | The amendment streamlines the scope of eTIMS exemptions. |
| Amended of tax assessments | The Commissioner is required to include the reasons for the amended assessment in the notification issued to the taxpayer. | Ensures transparency and enables the taxpayer to exercise their right to object effectively. It may also render the assessment procedurally invalid if not complied with. |
| Reprieve for Failure to withhold and remit tax where principal tax has been paid in full | A person who fails to withhold and remit withholding tax is not liable for the principal tax if the recipient has fully paid and accounted for both the principal tax and the amount that was not withheld. | Prevents double taxation and shifts the focus to ensuring the tax is collected, rather than punishing the agent when the tax has already been accounted for by the payee. |
| Commissioner's restraint notifications | The Act amends the provision by adding the words "or stamp duty" after "fee", thereby exempting the Commissioner's notification from both registration fees and stamp duty when it is registered as a restraint on property. | Reduces costs and streamlines the enforcement process for securing tax debts. |
| Transfer of property under agreed tax payment plans | The exemption of transfer of property from stamp duty when a taxpayer and the Commissioner have agreed on a payment plan and the liability is settled within the terms of that plan before the Commissioner lifts the notification. | Reduction of financial burden on taxpayers. |
| Tax enforcement framework | The Act grants the Commissioner the authority to enforce the same tax compliance measures on non-resident persons subject to tax in Kenya as those applicable to residents. | Broadens the scope to include non-resident persons to the same tax compliance and enforcement measures as residents, even if they |

| Item | Amendment | Comments |
|---|---|---|
| Penalty for withholding and remittance offences | The Act removes the ten percent penalty on persons convicted for failing to withhold or remit tax. | Reduction in the overall effectiveness of tax compliance enforcement. |
| Appointment of Digital Service Tax Agent | Repeal of the provision that allows the Commissioner to appoint agents for the collection and remittance of digital service tax. | Alignment with the changes effected through the Tax Laws (Amendment) Act, 2024 on Significant Economic Presence Tax (SEPT) |
| Offset of overpaid tax | Deletion of the phrase “and input value added tax” from the provision allowing taxpayers to offset overpaid tax against outstanding tax debts and future tax liabilities. | Clarification on the use of overpaid taxes to offset outstanding tax liabilities. |
| Refund of overpaid tax | The Commissioner is required to ascertain and determine an application for refund of overpaid tax within 120 days. | The Commissioner has an additional 30 days to process refund applications for overpaid tax, potentially delaying the taxpayer’s ability to apply the overpaid amount to other tax obligations, which could impact cash flow and financial planning for businesses. |
| Audit of refund application | Where an application for refund is subjected to an audit, the Commissioner has 180 days to complete the audit. | Delays the point at which an application is deemed approved, potentially extending the wait time for taxpayers seeking refunds. |
| Late objection to tax assessment | The timeframe for the Commissioner to make a decision on a late objection application will begin from the date the application is submitted. | Clarity on determining the deadline for making decisions on late objection applications. |

| Item | Amendment | Comments |
| --- | --- | --- |
| Data management and reporting system | Deletion of the provision exempting businesses from being required to share or integrate data relating to trade secrets and private or personal data held on behalf of customers or collected in the course of business. | Allows the Commissioner to request and access sensitive business information, potentially raising data privacy concerns for businesses. |
| Application for private ruling | Deletion of the provision that allows the Commissioner to refuse an application for a private ruling if a ruling has already been published under section 69 that is in existence. | Alignment with the repeal of Section 69 by the Tax Laws (Amendment) Act, 2020. |
| Timelines for lodging objections and appeals | Deletion of the provision that excludes Saturdays, Sundays, and public holidays from the computation of the period for lodging objections and appeals. | Reduction in the time available for taxpayers to lodge objections and appeals. |
| Late submission penalty | The Act includes the failure to submit tax returns within the existing penalty regime. | Tightens enforcement on both late and non-submission of tax returns. |
| Waiver of penalty and interest | The Commissioner may recommend to the Cabinet Secretary a waiver of all or part of any penalty or interest where the liability results from system errors, delays in eTIMS updates, duplication, or incorrect registration. | Allows taxpayers to seek relief from penalties and interest arising from administrative or system-related issues beyond their control, promoting fairness in tax enforcement. |
| Power to collect tax by the Commissioner | Applies when a taxpayer or a non-resident person who is subject to tax in Kenya is, or will become liable to pay a tax | Commissioner’s power to collect tax to now include from non-resident person who is subject to tax in Kenya |

# MISCELLANEOUS FEES AND LEVIES ACT

| Item | Finance Act 2025 | Comments |
|---|---|---|
| Tax Refunds | The Finance Act 2025 has removed the phrase "to excess tax refunds" from the marginal note. Elimination of the reference to Section 47 of the Tax Procedures Act | This streamlines the provision and potentially narrows the scope and impact on refund claims. |
| Reduced Export Levy | Semi-finished products of iron or non-alloy steel containing, by weight, <0.25% of carbon; of rectangular (including square) cross-section, the width measuring less than twice the thickness, levy has been reduced from 17.5% to 5%. Bars and rods of iron or non-alloy steel, hot-rolled, in irregularly wound coils of circular cross-section measuring less than 14mm in diameter of cross section measuring less than 8 mm, levy has been reduced from 17.5% to 5%. Bars and rods of iron or non-alloy steel, hot-rolled, in irregularly wound coils of circular cross-section measuring less than 14mm in diameter; other, levy has been reduced from 17.5% to 5%. | The reduction in levy from 17.5% to 5% on specific semi-finished and hot-rolled iron or non-alloy steel products is likely aimed at lowering production costs for local manufacturers, supporting industrial growth, and enhancing competitiveness in the steel and construction sectors |
| Out of fee collected to be paid to a Fund established and managed by the Public Finance Management Act | The Finance Act 2025 has provided that out of the fees collected in the customs value of the goods, 20% shall be paid into a Fund established and managed in accordance with the Public Finance Management Act. | This provision introduces a structured approach to resource earmarking, potentially enhancing transparency, accountability, and targeted reinvestment in trade facilitation or infrastructure development. |
| Deleting section 7(7) and enacting 10% of the monies to be used as payment of Kenya's contributions to the Africa Union | The Finance Act 2025 provides that Ten percent of monies in the Fund hall be used for the payment of Kenya's contributions to the African Union and any other international organization to which Kenya has a financial obligation, while ten percent shall be used for revenue enforcement initiatives | The provision ensures dedicated funding for Kenya's international financial obligations and revenue enforcement efforts, promoting fiscal responsibility and compliance |

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