PKF

Finance Act, 2026

Tax Alert

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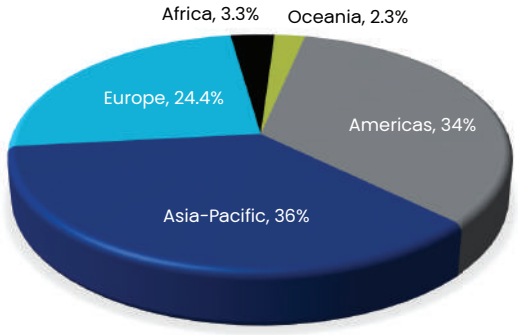
A. ECONOMIC OUTLOOK

1. Global Gross Domestic Product Performance

1.1 Overview

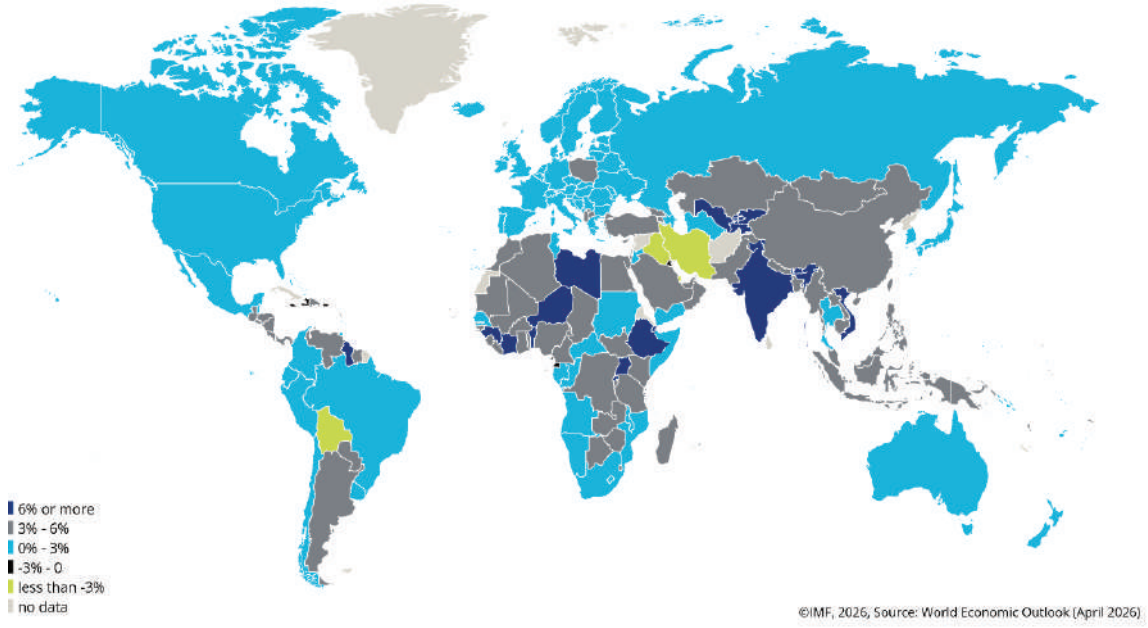
In the years 2025 and 2026, the world economy has shifted from its pre-pandemic average growth trend of approximately 3.7% to a lower sustainable growth rate of around 3.3%. According to derived estimates based on the International Monetary Fund World Economic Outlook (April 2026) Report, Asia remains the largest contributor to Global Gross Domestic Product, accounting for approximately 36% of world output, followed by the Americas at about 34% and Europe at roughly 24%, while Africa contributes approximately 3% despite being among the fastest-growing regions in real Gross Domestic Product.



Note: These regional shares were consolidated from International Monetary Fund regional Gross Domestic Product aggregates for analytical and presentation purposes rather than directly published by the International Monetary Fund as percentage shares of global Gross Domestic Product.

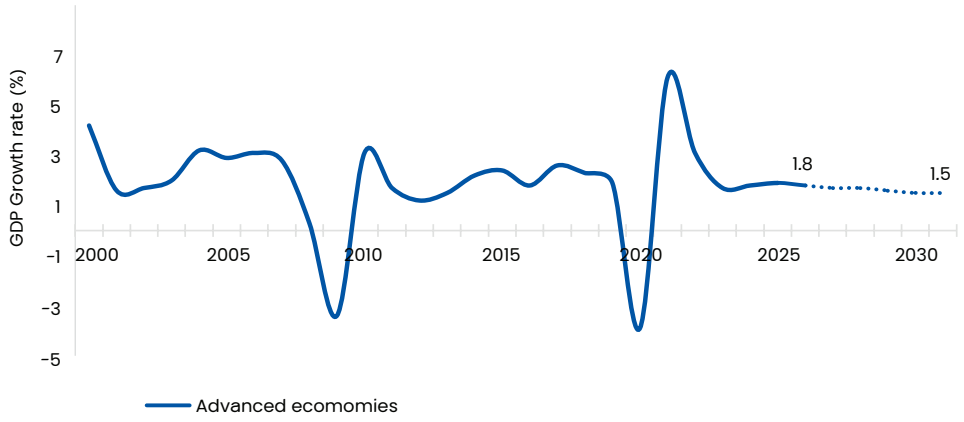
1.2 Current Global Real Gross Domestic Product growth rates

The International Monetary Fund growth map below highlights a widening divergence where advanced economies experience slower, mature-stage growth, while emerging and developing economies increasingly drive global economic expansion, particularly across Asia, Africa and other developing regions.



1.3 Growth Performance in Advanced Economies

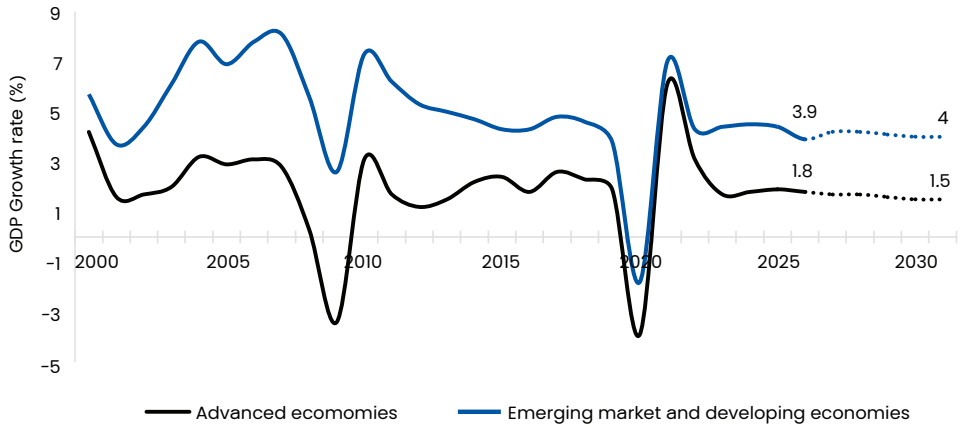
Advanced economies demonstrated a stronger than expected recovery following the COVID-19 pandemic, with per capita Gross Domestic Product surpassing pre-pandemic levels in nearly 90% of countries by the end of the year 2025. However, growth momentum has moderated in recent periods, reflecting the impact of tighter monetary policies, persistent inflationary pressures, and heightened geopolitical uncertainty. According to the International Monetary Fund World Economic Outlook, aggregate Gross Domestic Product (GDP) growth across advanced economies is projected to remain modest at approximately 1.8% in the year 2026 decreasing to 1.5% by year 2031.



Recent Organisation for Economic Co-operation and Development Economic Outlook Reports further highlight the risks posed by ongoing conflicts in the Middle East and potential disruptions to global energy supplies, which could weaken economic activity in advanced markets. Should geopolitical tensions and energy supply constraints persist, prolonged supply chain disruptions may result in deeper economic scarring effects, causing potential output to remain materially below its pre-pandemic growth trajectory.

1.4 Emerging Markets and Developing Economies

Emerging markets and developing economies continue to outperform advanced economies in terms of real Gross Domestic Product growth. Many countries in Asia and parts of Africa are projected to achieve growth rates above the global average, with some exceeding 6%. As per the International Monetary Fund Global Prospects and Policies (April 2026) Report, emerging markets and developing economies growth is projected to slow to roughly 3.9% in the year 2026 before recovering to 4.2% in the year 2027 constrained by regional conflicts and tighter global financial conditions. The graph below summarises historical and projected growth trend of emerging markets and developing economies.



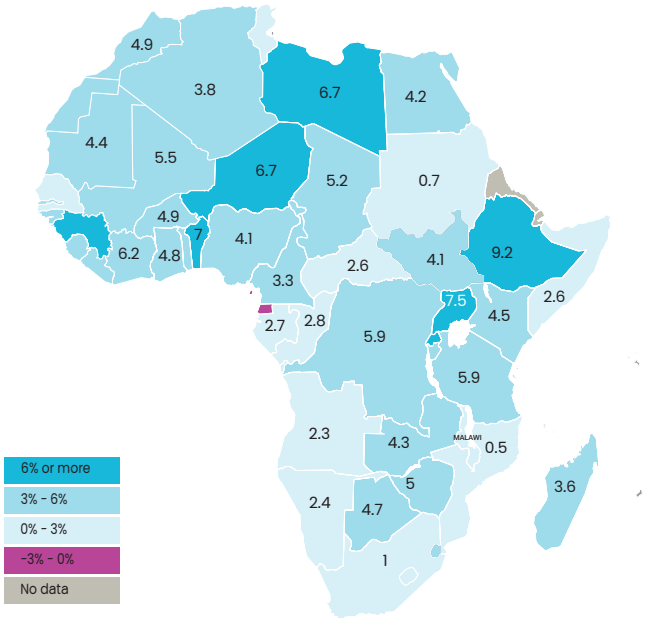
The stronger growth performance observed in emerging markets and developing economies is largely driven by favourable demographic and structural factors. Many of these economies have expanding working age populations, which increase labour supply, productivity potential and consumer demand. Rapid urbanisation and industrialisation are also transforming economic structures by shifting labour from low productivity sectors such as subsistence agriculture into manufacturing and services. Continued investment in infrastructure, including transport, energy and digital systems has improved productive capacity and supported economic activity.

India stands out as one of the fastest-growing major economies globally, driven by strong services sector expansion, digital innovation, infrastructure investment and rising domestic demand.

2. Gross Domestic Product Performance in Africa

Africa's Gross Domestic Product outlook for the year 2026 is expected to remain mixed but generally positive, with several economies projected to grow above the global average due to continued infrastructure investment, expansion of the services sector, rapid urbanisation and increasing regional trade integration. East and West African economies continue to benefit from improvements in transport networks, digital connectivity, financial services and growing domestic consumer markets, which support economic expansion and structural transformation. Regional initiatives such as the African Continental Free Trade Area are also expected to enhance intra-African trade and improve long-term growth prospects.

Despite Africa's generally positive outlook, economic performance remains highly uneven across the continent due to persistent structural and macroeconomic challenges. Countries such as Ghana, Zambia and Kenya continue to face rising public debt burdens, which constrain fiscal flexibility and limit governments' ability to finance infrastructure and social investment. Political instability and governance challenges in countries such as Sudan, South Sudan and Somalia have weakened investor confidence and disrupted economic activity. Climate related shocks, including droughts and floods, continue to affect agricultural productivity and food security in economies heavily dependent on agriculture, such as Ethiopia, Malawi and Madagascar. As per International Monetary Fund, Word Economic Outlook (April 2026) Report, African countries real Growth Domestic Product growth per country is represented in the following map.

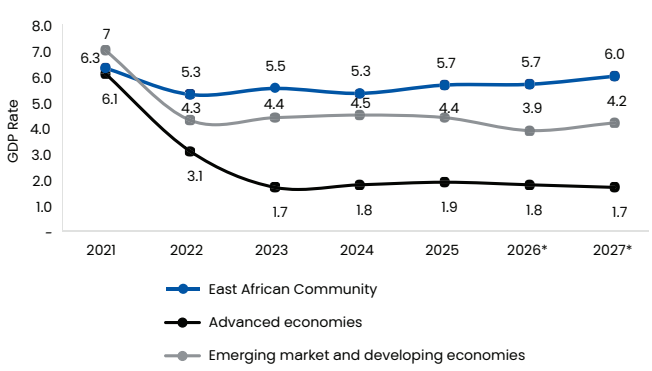


3. East Africa Gross Domestic Product Performance

3.1 Overview of East African Economic Performance

The East African Community has consistently remained one of the fastest growing regions globally between the years 2021 and 2026, maintaining average real Gross Domestic Product growth rates above 5% and outperforming the global average throughout most of the period. The region's strong economic performance has been supported by rapid population growth, expanding services sectors, continued infrastructure investment, and increasing regional trade integration.

The graph below summarises the East African Gross Domestic Product performance trend compared to Advanced Economies and Emerging Market and Developing Economies.



Source: International Monetary Fund Economic Outlook
Key: 2026* and 2027* - Projected values

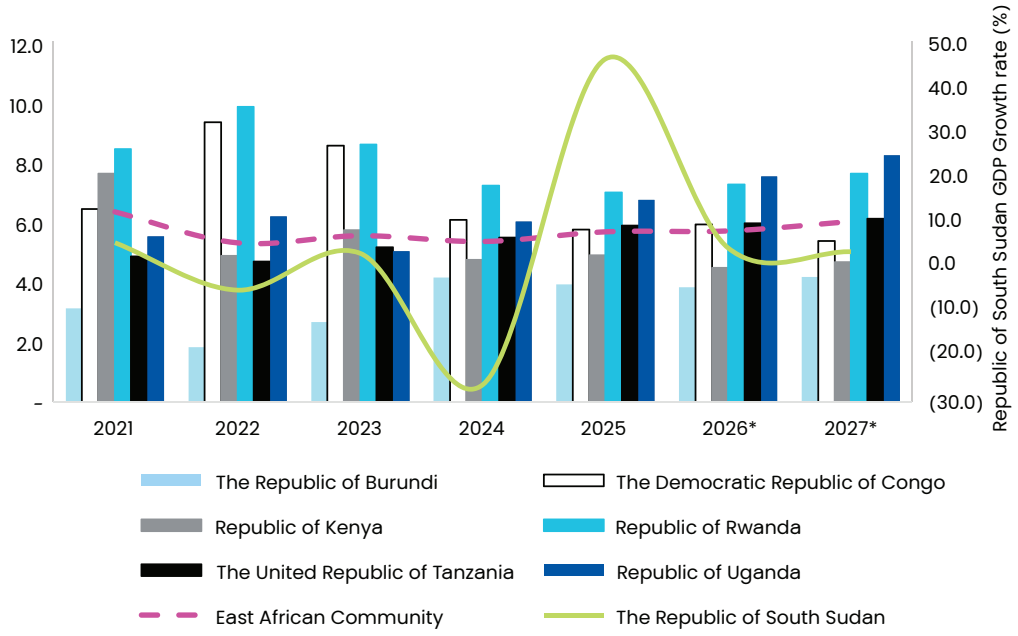
The reported growth is constrained by increased inflation from 4.1% in the year 2024 to 4.4% in the year 2025 due to currency depreciation and higher debt servicing costs.

3.2 Overview of East African communities

Real Gross Dometic Product growth is expected to increase from 5.7% reported in the year 2025 to 6.0% in the year 2027 with Rwanda and Uganda expected to surpass the expected East African real Domestic Product Growth rate.

East Africa's strong growth performance is largely supported by favourable demographic and structural factors. The region's youthful population continues to expand the labour force and increase consumer demand, creating strong domestic market potential. Rapid urbanisation and rising middle income populations are also stimulating demand for housing, transport, financial services, telecommunications and digital solutions.

The chart below shows the Real Gross Domestic product growth from the year 2021 to the year 2025 for Eastern Africa countries.



Source: International Monetary Fund Economic Outlook
Key: 2026* and 2027* - Projected values

4. Kenya Gross Domestic Product Performance

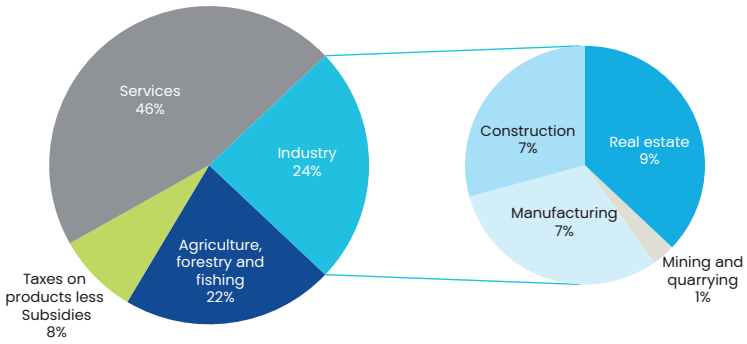
4.1 Overview of Kenya's Gross Domestic Product

Kenya demonstrated strong economic resilience between the years 2021 and 2026 following the contraction caused by the COVID-19 pandemic in the year 2020. After recording rapid recovery growth of 7.59% in the year 2021, the economy gradually stabilised within a sustainable growth range of approximately 4.5%–5.7%. This performance reflects the Country's relatively diversified economic structure and its position as one of East Africa's leading economies.

4.2 Kenya Gross Domestic Product Sector Composition

Kenya's Gross Domestic Product structure remains dominated by the services sector, contributing approximately 47% of real Gross Domestic Product in fiscal year 2025 and driving growth through financial services, Information Communication Technology, trade, transport, tourism and telecommunications.

Cumulatively over the period 2021 to 2025, service sector accounted for 46% of the cumulative real Gross Domestic Product reported over the period as shown below.



Source: Kenya National Bureau of Statistics - Economic Survey 2026

4.3 Key Challenges Facing Kenya's Gross Domestic Product

Although Kenya maintains relatively strong growth prospects, several structural challenges continue to constrain economic performance. High public debt levels have reduced fiscal flexibility and increased debt servicing obligations, limiting the government's capacity for additional public investment. Climate variability and recurring droughts continue to disrupt agricultural production and food security, particularly in rural areas that depend heavily on agriculture.

The manufacturing sector also remains relatively weak, limiting industrial expansion and job creation. At the same time, currency depreciation and inflationary pressures continue to raise the cost of imports, fuel, and external debt servicing. Furthermore, slower global economic growth may reduce external demand for Kenyan exports and weaken investment inflows, creating additional pressure on economic performance.

5. Kenya sectoral contribution to Gross Domestic Product Performance

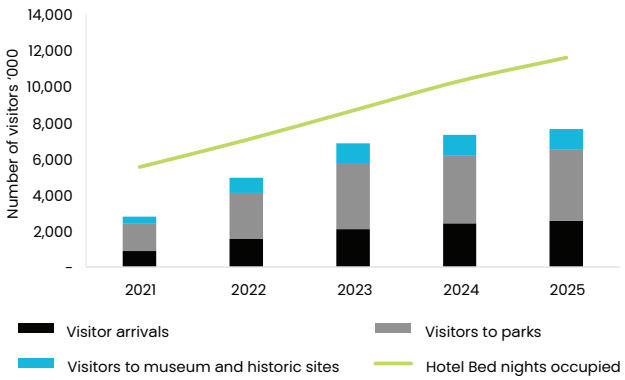
5.1 Construction

Kenya's construction sector rebounded strongly in the year 2025, growing by 6.7% after contracting by 2.6% in the previous fiscal year. The recovery was driven by increased infrastructure development, affordable housing projects and improved access to financing. Construction activity intensified as cement consumption rose from 8.54 million tonnes to 10.28 million tonnes, while imports of bitumen, iron and steel also increased significantly, reflecting higher demand for building materials.

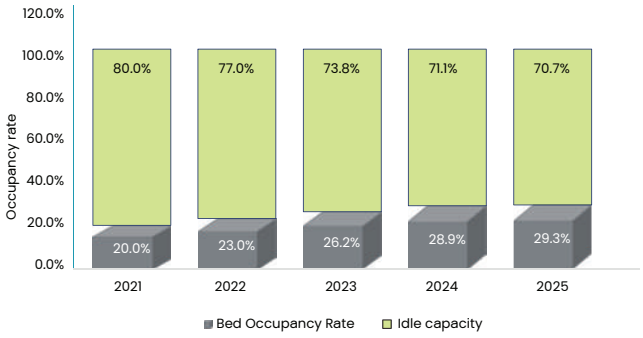
Credit to the construction sector grew by 22.4%, indicating improved investor confidence and financing availability. Government support through the Affordable Housing Programme, with housing expenditure increasing to Kenya Shilling (KES) 116.7 billion, also boosted sector growth and contributed to the creation of approximately 238,300 jobs. Despite this positive performance, projected reductions in broader government development spending may moderate future growth within the sector.

5.2 Tourism

Kenya's tourism sector remained a key driver of economic recovery and resilience in the year 2025, supporting foreign exchange earnings, employment creation and broad based growth across transport, hospitality, agriculture, trade and financial services. The sector recorded its strongest performance to date, with total visitors rising to approximately 7.6 million in the year 2025. Bed night occupancy rate stood at 29.3% in the year 2025 as compared to 28.9% in the year 2024. The graphs below summarise the trend in visitors and bed occupancy rate respectively.



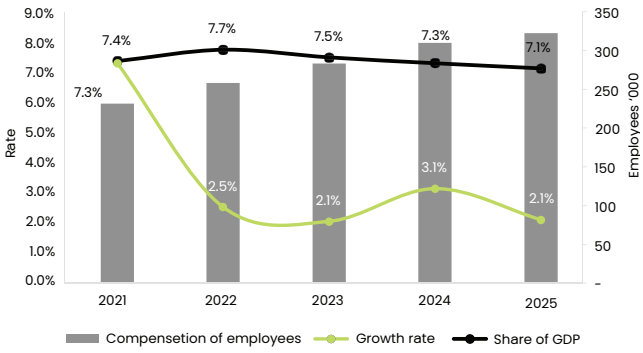
Source: Kenya National Bureau of Statistics - Economic Survey 2026



Source: Kenya National Bureau of Statistics - Economic Survey 2026

5.3 Manufacturing sector

The graph below highlights manufacturing sector performance from the year 2021 to 2025.



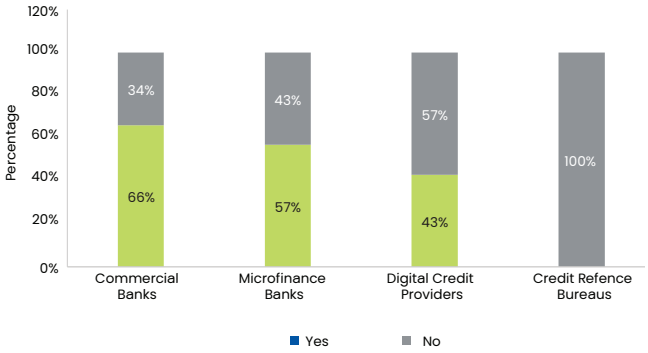
The manufacturing sector grew by 2.1% in the fiscal year 2024/2025 in comparison to a 3.2% increase in the fiscal year 2023/2024. Formal employment increased by 5.2% to 388.6 thousand compared to 369.2 thousand persons in the year 2024. However, according to the 2025 Economic Survey, the sector's growth of agro-based industries contracted by 1.2% in the year 2025 due to contraction in the manufacture of sugar by 24.8%.

5.4 Banking Sector

The banking sector recorded mixed performance between the years 2021 and 2025, characterised by rising interest rates alongside continued growth in lending, deposits, and overall banking activity.

The Central Bank of Kenya Rate, lending rates, treasury bill rates and interbank rates increased significantly between the years 2021 and 2023 following monetary policy tightening, before easing in the years 2024 and 2025. Despite the high interest rate environment, credit advanced by commercial banks and non-banking financial institutions steadily rose from KES 5,566.5 billion in the year 2021 to KES 7,822.6 billion in the year 2025, while commercial banks' deposits and total assets also recorded strong growth, reflecting expansion within the sector. Savings and Credit Cooperative Organisations similarly maintained steady growth, although microfinance banks recorded relatively modest expansion during the period.

In addition, the increasing integration of Artificial Intelligence within banking systems as at March 2025 contributed to sector growth by enhancing operational efficiency, improving customer experience, and strengthening digital financial services. The level of Artificial Intelligence integration within the banking sector is illustrated below.



Source: Survey on Artificial Intelligence in the Banking Sector by Central Bank of Kenya

5.5 Information Communication Technology sector

Kenya's Information Communication and Technology sector remains a key driver of economic transformation under the Bottom-Up Economic Transformation Agenda, supporting productivity, innovation, financial inclusion, and digital service delivery.

According to the Kenya National Bureau of Statistics Economic Survey 2026, the Information and Communication sub-sector recorded real growth of approximately 4.8% in the year 2025, close to overall Gross Domestic Product growth of 4.6%, with sector output reaching about KES 404.7 billion, driven by expansion in digital services, telecommunications, and mobile financial platforms. Mobile subscriptions increased significantly, reflecting continued growth in digital penetration.

Cybersecurity has emerged as a major concern within the sector due to rising cyber threat incidents recorded in recent years, reflecting increased vulnerability associated with rapid digitalisation of economic and government systems. Data protection and system security remain central considerations in the sector's operational environment. Further, development of Konza

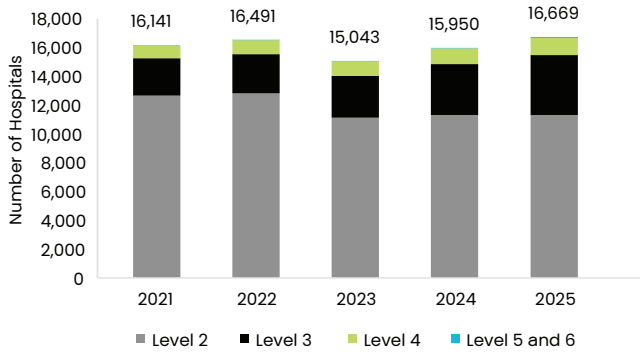
Technopolis continues as part of Kenya's long-term innovation agenda, with Phase I infrastructure completed and ongoing development supporting the establishment of a national digital and innovation hub focused on technology driven economic activities.

Overall, the Information Communication and Technology sector remains strategically important within Kenya's economic structure, although implementation challenges such as budget absorption constraints and broader fiscal pressures may influence the pace of sector development expenditure.

5.6 Health sector

Kenya's health sector continues to play a pivotal role in advancing national development priorities, as outlined in Vision 2030, the Fourth Medium-Term Plan and the Bottom-Up Economic Transformation Agenda. In line with these frameworks, the government undertook major structural reforms in the year 2023 through the enactment and commencement of four key pieces of legislation: the Social Health Insurance Act, the Primary Health Care Act, the Facility Improvement Financing Act and the Digital Health Act, aimed at strengthening universal health coverage and improving efficiency, equity and sustainability in service delivery.

As of the years 2025 to 2026, implementation has progressed with the Social Health Authority operationalised, over 20.9 million members registered with Nairobi and Kiambu counties being the counties that have registered more members and more than 10,000 health facilities integrated, alongside primary health care reforms with over 100,000 community health promoters active and approximately 228 out of 315 primary health care networks established nationwide. The growth of these hospitals has been outlined below.



Source: Kenya National Bureau of Statistics

5.7 Agriculture and forestry sector

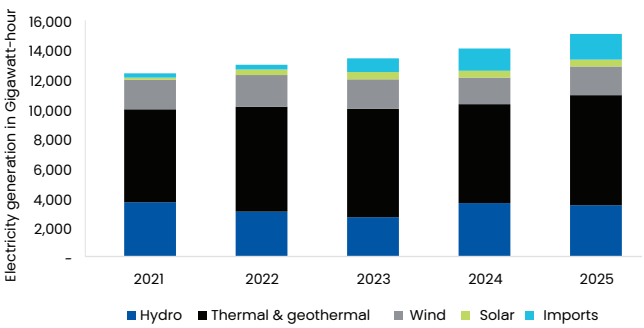
The agriculture and forestry sector remains a key pillar of Kenya's economy, contributing approximately 23% of Gross Domestic Product and supporting employment, rural incomes, food security and export earnings. In the year 2025, the sector recorded moderate growth driven by improved weather conditions, policy support and recovery in key value chains such as tea, sugarcane, livestock and horticulture exports, although performance remained constrained by climate variability and high input costs. Maize production and some horticultural outputs remained volatile due to weather shocks and cost pressures, while the forestry sub-sector posted gradual progress supported by ongoing afforestation and reforestation initiatives.

Overall, the sector continues to be Kenya's largest employer and a critical contributor to rural economic stability. Its performance remains important for food security, inflation stability, and export earnings, although it is highly exposed to climate-related risks and input cost fluctuations.

5.8 Energy Sector

5.8.1 Electricity

Electricity demand continued to grow, supported by expanded grid connectivity that saw the number of customers surpass 10 million. Electricity demand, which comprises of domestic demand and transmission losses has increased by 19.9% from 12,396 Gigawatt-hour in the year 2021 to 14,867 Gigawatt-hour in the year 2025 while electricity generation has increased by 10% from 12,126 Gigawatt-hour to 13,346 Gigawatt-hour during the same period. This trend has resulted to increase in imported electricity by 21.3% form 288 Gigawatt-hour in the year 2021 to 1,721 Gigawatt-hour in the year 2025. Thermal and geo-thermal remains major source of electricity accounting for over 45% of total electricity generation as presented below.



Source: Kenya National Bureau of Statistics

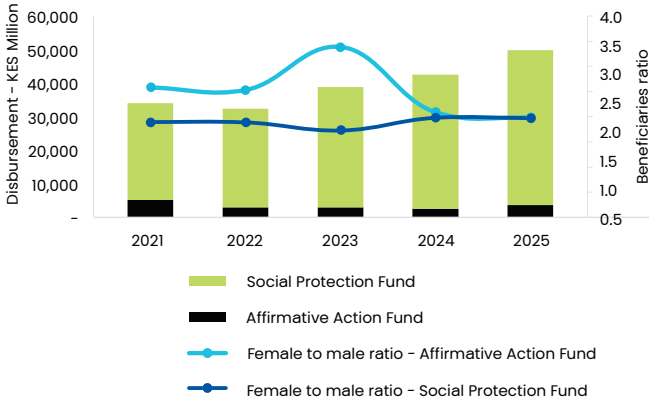
5.8.2 Other energy sources

Retail pump prices eased across all fuel categories in the year 2025 compared to the preceding year, providing some relief to consumers and businesses alike. On e-mobility, the sector recorded a remarkable 300% surge in energy consumption for electric transport to 5.04 gigawatt in the year 2025, driven by the e-mobility tariff introduced in the year 2023, signalling a growing transition towards clean transportation. Kenya Power and Lighting Company PLC also announced plans to install 45 electric vehicle charging stations across six counties, further anchoring the country's e-mobility infrastructure.

5.9 Economic Inclusion

Economic inclusion remains a central pillar of Kenya's development agenda under the Bottom-Up Economic Transformation Agenda, aimed at ensuring that the benefits of economic growth are broadly shared, particularly among vulnerable and historically marginalised groups including women, youth, persons with disabilities and low income households.

The government has driven this agenda through Affirmative Action Fund such as Women Enterprise Fund, Uwezo Fund, Youth Enterprise Development Fund, National Government Affirmative Action Fund and Social Protection Fund (orphans and vulnerable children, older persons, persons with severe disabilities and hunger safety net program). Fund disbursement and beneficiaries over the period 2021 to 2025 have been summarised in the graph below.



Total disbursed funds increased from KES 34 billion in the year 2021 to KES 49.8 billion in the year 2025. Social Protection Fund accounts for more than 90% of total disbursement while female to male beneficiary ratio stands at 2 in both funds in year 2025.

5.10 Education and training

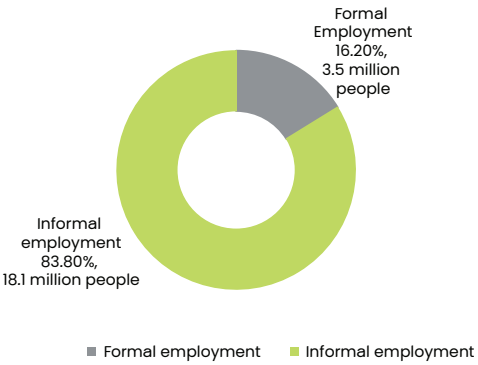
The education and training sector remains one of the largest recipients of public expenditure in Kenya due to its strategic importance in human capital development, implementation of the Competency Based Curriculum, expansion of technical and vocational education and training institutions, and support for research and innovation.

During the 2025/2026 financial year, implementation of the Competency Based Curriculum remained a major policy priority, particularly following the transition of approximately 1.13 million Grade 9 learners into senior secondary education pathways. Government expenditure on education increased from approximately KES 628.6 billion in the year 2024 to KES 702.1 billion in the year 2025, reflecting continued investment in teacher recruitment, infrastructure development, digital learning, and expansion of technical and higher education institutions. Enrolment in public technical and vocational education and training institutions continued to increase, while university enrolment recorded moderate growth.

5.11 Employment rates and labour market

Kenya's labour market recorded moderate growth in the year 2025, with total employment increasing from 20.8 million in the year 2024 to approximately 21.6 million, representing about 822,100 new jobs created during the year. The informal sector remained the dominant driver of employment, accounting for 83.8% of total employment at 18.1 million jobs and contributing approximately 87.2% of all new jobs created.

Formal wage employment recorded modest growth from 3.21 million to 3.32 million, supported by expansion in manufacturing, education, financial services and health services, with private sector employment rising to 2.25 million and public sector employment to 1.07 million. Key employment generating sectors included manufacturing, agriculture, forestry and fishing, wholesale and retail trade, education and public administration.

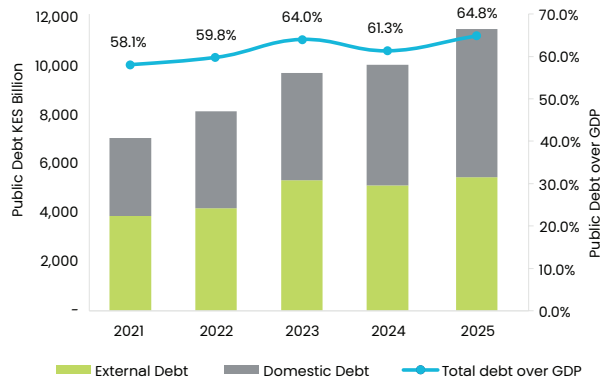


Source: Kenya National Bureau of Statistics

6. Public Debt

6.1 Public Debt Position

Public debt has significantly increased from KES 6.98 trillion in the year 2021 to KES 11.39 trillion in the year 2025 as shown in the graph below. As at June 2025, external debt accounted for 47% of total debt.

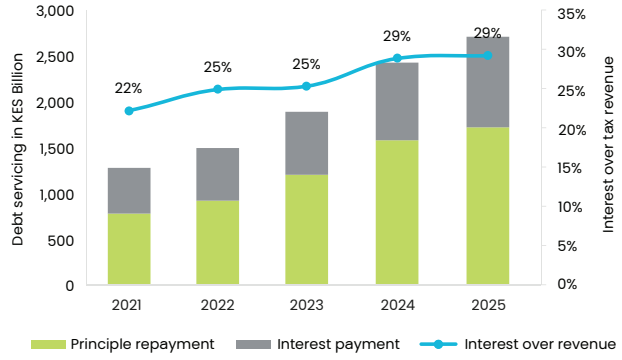


Source: Kenya National Bureau of Statistics - Economic Survey 2026

As at June 2025, total debt accounted for 64.8% of Gross Domestic Product. This places the country above the World Bank's recommended threshold of 50% for emerging economies and the East African Community's convergence limit of 55%. While overall sovereign debt remains classified as sustainable, it carries a high risk of debt distress.

6.2 Public Debt Service

Kenya's public debt remains at a high risk of distress, with debt servicing consuming over a third of government tax revenues, cost of debt alone accounts for 29% of total tax revenue. This staggering burden crowds out vital spending on healthcare, social protection and infrastructure, forcing the National Treasury into controversial tax policies to maintain fiscal stability. This has been analysed below.



Source: Central Bank of Kenya

6.3 Debt Sustainability

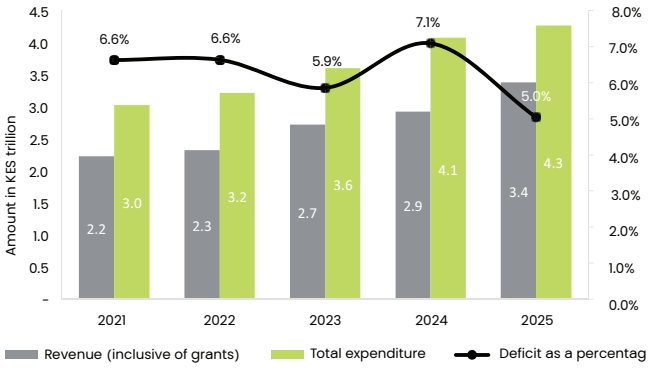
According to the National Treasury debt sustainability analysis for September 2025, Kenya's debt remains sustainable in the medium to long term. Kenya has been classified to have a medium debt carrying capacity though the country is facing a heightened risk of debt distress. This elevated risk is mainly driven by vulnerabilities in the external sector, particularly the projected breach of the external debt-to-exports and debt service to exports thresholds over the medium term, which exposes the economy to fluctuations in export earnings and tightening global financing conditions.

Nevertheless, the Debt Sustainability Analysis indicates that Kenya's debt outlook is expected to improve gradually, supported by ongoing fiscal consolidation measures, efforts to enhance export competitiveness and diversify foreign exchange sources, as well as a borrowing strategy that emphasises concessional financing and prudent management of refinancing risks.

7. Public sector and expenditure

7.1 Revenue versus expenditure

The graph below shows trend in public expenditure as compared to tax revenue.



Source: Kenya National Bureau of Statistics Economic Survey 2025

Note: Expenditure excludes acquisition of non-financial assets

Revenue has increased from KES 2.2 trillion in 2021 to KES 3.3 trillion in year 2025 indicating enhanced tax collection. However, government expenditure increased from KES 3 trillion in the year 2021 to KES 4.3 trillion in year 2025. The persistent fiscal deficit forces the government to rely heavily on debt to bridge the gap.

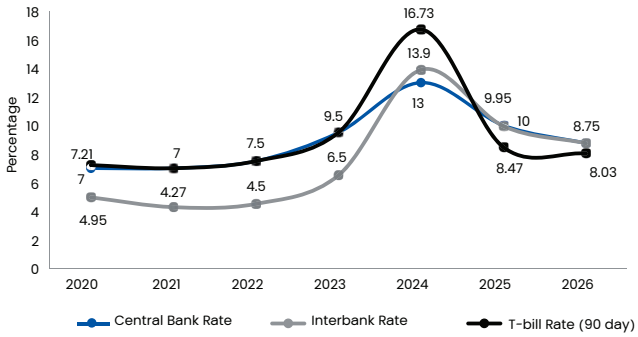
8. Interest Rates

8.1 Role of Interest Rates

The Central Bank rate is used to control inflation and stabilise the economy, influence borrowing and investment and control foreign capital inflows. The years between 2020 and 2025 were characterised by shifts in Kenya's monetary policies in response to domestic and global economic developments.

8.2 Central Bank of Kenya policies

The Central Bank of Kenya's approach shifted fundamentally in response to changing economic pressures. Beginning with growth oriented policy in the year 2021, the institution pivoted towards aggressive price stabilisation in the year 2022 as external shocks mounted, then gradually returned to accommodation in the years 2024 to 2026 as inflation moderated.



Source: Central Bank of Kenya

In the year 2021, the Central Bank of Kenya maintained an accommodative monetary policy stance by keeping the policy rate at 7.0% to support post pandemic economic recovery, stimulate private sector credit, and encourage investment. This supportive environment contributed to real Gross Domestic Product growth of approximately 4.9%, while inflation remained relatively contained.

Between the years 2022 and 2024, the Central Bank shifted toward a tighter monetary policy framework, gradually increasing interest rates to 13% by February 2024 in response to rising inflationary pressures, currency depreciation, higher global oil prices, and food supply shocks caused by adverse weather conditions. The tightening cycle aimed to stabilise prices, protect the Kenya Shilling, and contain inflation expectations.

By mid-year 2024, macroeconomic conditions had improved, with inflation easing, foreign exchange reserves strengthening, and financial markets stabilising. As a result, the Central Bank began gradually easing monetary policy from August 2024, reducing the policy rate from 13% to 8.75% through successive adjustments to support economic activity and investment recovery.

9. Exchange Rates

9.1 Exchange Rate and its economic significance

Exchange rates significantly influence trade, investment and economic stability. A strong, stable currency attracts foreign investment and boosts export competitiveness, while depreciation raises import costs, fuels inflation, and increases foreign debt burdens.

The Kenya Shilling experienced dramatic volatility between the years 2021 and 2026, depreciating sharply through the year 2023 before recovering substantially in the year 2024. This trajectory reflects the interplay between external shocks, policy responses, and underlying structural factors that determine currency value.

9.2 Movement of the currency

The Shilling's behaviour provided insight into broader forces affecting Kenya's international economic position. The cumulative six year depreciation from approximately KES 110 to KES 129.5 per United States of America Dollar (USD) reflected underlying structural pressures. The economy imported more than it exported and that pattern persisted despite multiple policy interventions. However, the reversal that happened in the year 2024 suggested that not all currency movements were inevitable; confidence effects and policy credibility can create temporary reversals even when underlying balances have not fundamentally changed.

In February 2024, the government restructured its foreign debt, eliminating default threats and signalling serious economic reforms. This action restored investor confidence. At the same time, Kenya's 13% interest rate was attractive to foreign investors seeking returns. These two factors combined to bring foreign currency into the Country, which strengthened the Shilling by 17.4% in the year 2024.

Between the years 2025 and 2026, the Shilling demonstrated stability rather than strength. The exchange rate remained essentially flat at approximately KES 129.3 to KES 129.5 per USD, with minimal movement of less than 0.2% annually. This represents a marked departure from the dramatic appreciation of 17.4% in the year 2024 and the severe depreciation of the years 2021 to 2023.

10. Inflation

Inflation is defined as the rate of change in the general price level of goods and services within an economy over a specified period, resulting in the erosion of real purchasing power. The macroeconomic implications of inflation manifest across multiple economic agents and sectors.

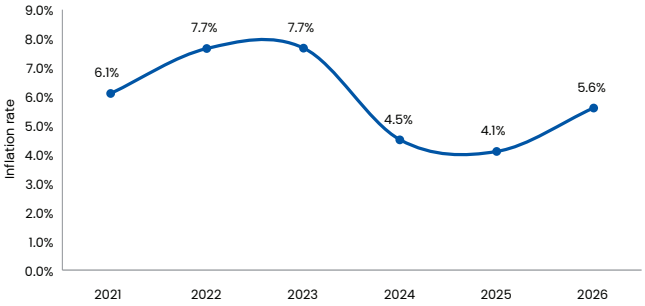
Inflation's distributional effects across savers, borrowers, and businesses, combined with its impact on economic planning horizons, make price stability a fundamental objective of monetary policy and a prerequisite for sustainable economic growth.

10.1 Inflation trends in Kenya

In Kenya, the Central Bank of Kenya formulates and implements monetary policy with the aim of achieving and maintaining stability in the general level of prices in the economy. The Central Bank of Kenya implements monetary policy with the aim of achieving a medium-term inflation target of 5.0%, with an allowance of ±2.5% deviation in the short term.

As at April 2026, inflation stood at 5.6%, representing a breach of an upper tolerance band following a period of price stability in the year 2024 to the year 2025. This reflects emerging pressures from global oil price volatility associated with geopolitical tensions and increased transportation costs. Month-to-month inflation trends indicate accelerating price pressures, signalling that policymakers will need to remain vigilant as the Central Bank of Kenya continues its gradual monetary easing cycle. The Monetary Authority faces a delicate balancing act of supporting economic growth through lower interest rates while monitoring inflation risks that could undermine the gains achieved during the 2024 to 2025 period.

10.2 Implication of inflation trends in Kenya



Source: International Monetary Fund

Inflation remained relatively stable at 6.11% in the year 2021, supported by accommodative monetary policy aimed at post pandemic recovery. However, between the years 2022 and 2023, inflation increased to approximately 7.7% due to global energy price shocks, food supply shortages and depreciation of the Kenya Shilling, despite aggressive monetary tightening by the Central Bank of Kenya. Inflationary pressures eased significantly in the years 2024 and 2025, declining to 4.1% in the year 2025 following improved exchange rate stability, lower global commodity prices and improved agricultural output.

By April 2026, inflation had risen moderately to 5.6%, reflecting renewed external pressures from global oil price volatility and rising transport costs, highlighting Kenya's continued exposure to external economic shocks.

Tax Analysis

The Finance Act, 2026 (The Act) was published on 30 June 2026 and contains a raft of changes to the various tax statutes. The Act contains numerous amendments like the reintroduction of the tax amnesty, reduction of the tax filing deadlines in some instances and transition to a dual tax assessment regime.

More details on the amendments introduced by through the Act are contained in this tax alert, which is a continuation of the tax alert on the proposed amendments through the Finance Bill, 2026 that we previously issued on 13 May 2026.

B. INCOME TAX ACT

Finance Bill Proposals Adopted In The Finance Act, 2026

1. Clarification on the definition immovable property

The Act has amended the definition of "immovable property" to clarify that land (including anything attached to it or secured by it) is distinct from mining rights, interests in petroleum agreements, mining information and petroleum information.

This amendment will delineate the different types of immovable property, rather than joint elements that must be considered together. Accordingly, transactions involving only mining rights, interests in petroleum agreements, mining information and petroleum information, even where there is no actual transfer of land, will be considered transfer of immovable property for Capital Gains Tax (CGT) purposes.

Effective Date: 01 July 2026

2. Expanded definition of management or professional fees

The Finance Act, 2026 has expanded the definition of "management or professional fees" under the Income Tax Act to expressly include interchange fees and merchant service fees arising from transactions where a card is used as a means of payment.

Resultantly, interchange fees and merchant service fees will be subject to Withholding Tax (WHT) at the applicable rates for both resident and non-resident recipients.

The amendment effectively changes the legislative position that existed following the decision of the Supreme Court of Kenya in Barclays Bank of Kenya Limited v Commissioner of Domestic Taxes, where the Supreme Court held that interchange fees paid by acquiring banks to issuing banks did not constitute management or professional fees and were therefore not subject to WHT.

By expressly including these fees within the statutory definition, the Finance Act, 2026 has provided legislative clarity and confirms that such payments are now within the WHT regime.

Effective Date: 01 July 2026

3. Expanded definition of royalty

The Finance Act, 2026 has expanded the definition of "royalty" under the Income Tax Act to include payment made as a consideration for the use or the right to use:

- a proprietary digital payment card network or platform 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 any similar charge.

Resultantly, such payment will now be treated as royalty and is subject to WHT at the applicable rates for both resident and non-resident recipients, unless an exemption or relief under an applicable Double Tax Agreement (DTA) applies.

The amendment changes the legislative position established by recent judicial decisions. In Barclays Bank of Kenya Limited v Commissioner of Domestic Taxes, the Supreme Court held that payments to international card networks, including interchange fees, merchant service fees and network fees, did not constitute royalties because they did not relate to the use of, or the right to use, intellectual property.

By expressly expanding the statutory definition of royalty, the Finance Act, 2026 brings this category of payment within the scope of the WHT, thereby providing certainty on their tax treatment.

Effective Date: 01 July 2026

4. Revised definition of withdrawals and winnings for the Betting Industry

The Finance Act, 2026 has amended the definition of withdrawals to mean any amount of money, cash equivalent or money's worth paid to the account of a player by a licensed person under the Gambling Control Act, 2025. This definition is broad and includes the entire amount cashed out, including both the original stake and any gains. Withdrawals by punters are subject to WHT at the rate of 5% to both residents and non-residents.

The Finance Act, 2026 has also re-introduced the definition of winnings for gaming and betting purposes to mean, any pay-out from a lottery or price competition. Imperative to note is that the new definition of winnings does not exclude the amount staked or wagered from the definition of winnings as was proposed under the Finance Bill, 2026.

Consequently, the amount originally staked or wagered will form part of the taxable payout and is subject to WHIT at the rate of 20% applicable to both residents and non-residents, thus increasing the WHT burden on winners.

Effective Date: 01 July 2026

5. Clarification on Tax Exempt Gratuity

The Finance Act, 2026 has now provided that the tax-exempt status of gratuity will only apply where two conditions are met:

i) the employee has served under a contract of service for a continuous period of at least three years, or where the contract that has been renewed or extended beyond three years; and

ii) the contributions do not exceed 31% of the employee's emoluments earned during the contract period.

The Finance Act, 2026 has also broadened the exemption by applying the 31% threshold to emoluments, rather than basic salary.

These changes have now expanded the scope of the exemption by allowing higher tax-exempt gratuity contributions, extending the benefit to employees who also participate in pension schemes and providing certainty for employees engaged under renewed or extended fixed-term contracts.

Effective Date: 01 July 2026

6. Changes to Rental Income Tax

The Finance Act, 2026 has introduced a new tax regime on rental income earned by non-resident persons from the use or occupation of property located in Kenya. The tax is structured as a final tax meaning no further income tax will be payable on that income. Notably, the Act does not prescribe the applicable tax rate for this category of income creating uncertainty as to the effective tax burden on non-resident property owners.
Non-resident property owners are required to register for this tax obligation under a simplified registration framework prescribed by KRA. They are also required to comply through the filing of monthly returns and payment of the tax due by the 20th day of the month following the month in which the rent is received.

Effective Date: 01 July 2026

7. Payment Timelines for Non-Resident Shipping and Air Transport Tax

The Finance Act, 2026 has introduced a defined timeline for the remittance of Withholding Income Tax (WHT) on income earned by non-resident ship owners, charterers and air transport operators in respect of the carriage of passengers, cargo, or mail embarked in Kenya.

The Act has provided that WHIT at the rate of 2.5% of the gross amount payable shall be remitted within five (5) days from the earlier of either the receipt of payment or the departure of the vessel from the port of lading.

While the amendment establishes a clear remittance trigger, it does not expressly specify whether the five-day period refers to calendar days or working days, thereby leaving a degree of administrative ambiguity for compliance purposes.

Effective Date: 01 July 2026

8. Taxation of Trust Income

The Finance Act, 2026 has amended Section 11 of the Income Tax Act to simplify the taxation of income earned through Trusts by introducing a clearer framework for the taxation of trustees, executors, administrators and beneficiaries.

Under the amended provisions, income received by a trustee, executor, or administrator on behalf of a Trust is taxable in the hands of the trustee, executor, or administrator at the applicable Corporate Income Tax (CIT) rate of 30%.

The Act has further provided that any qualifying dividends or qualifying interest forming part of the trust income will not be subject to further tax under the Income Tax Act. In addition, where tax has already been paid by the trustee, executor, or administrator, has already paid tax, the beneficiaries receiving distributions from the trust will not be liable to tax on the same income.

These amendments establish a more streamlined and equitable framework for the taxation of trust income by reducing the risk of double taxation as income passes from the trust to its beneficiaries. The changes also provide greater certainty on the tax treatment of trust distributions and align the taxation of trusts with the principle that the same income should not be taxed more than once.

Effective Date: 01 July 2026

9. Instalment Tax Exemption Criteria

The Finance Act, 2026 has amended the conditions under which a taxpayer is exempt from paying instalment tax. Previously, the Income Tax Act provided exemptions based on minimum tax and where employment income is fully taxed through Pay As You Earn (PAYE), although the reference to minimum tax is no longer applicable following its repeal via the Finance Act, 2025.

The amendment in the Finance Act, 2026 has removed the obsolete reference to minimum tax and clarifies that individuals whose income consists solely of employment income that is fully taxed through the PAYE are exempt from making instalment tax payments.

This amendment aligns the instalment tax provisions with the existing law and provides greater certainty by confirming that employees whose tax liability is fully discharged through PAYE are not required to make additional instalment tax payments during the relevant year of income.

Effective Date: 01 July 2026

10. Clarification on Interest Restriction Exemption for Non-Deposit Taking Financial Institutions

The Finance Act, 2026 has now clarified that non-deposit taking institutions engaged in either lending, leasing, or both lending and leasing will be exempted from the interest restriction provision under Section 16 of the Income Tax Act.

This amendment eliminates ambiguity created by the previous wording of the Act, which had been interpreted to suggest that only institutions undertaking both lending and leasing activities could qualify for the exemption. In practice, many non-deposit taking financial institutions operate in a single line of business, that is, either lending or leasing rather than both.

Accordingly, the Finance Act, 2026 aligns the statutory wording with industry practice by confirming that eligibility for the exemption is not conditional on carrying out both activities simultaneously. This provides greater legal certainty and ensures consistent application of the interest restriction rules across the financial services sector.

Effective Date: 01 July 2026

11. Revised definition of the Ultimate Parent Entity under the Country-by-Country (CbC) Reporting

The Finance Act, 2026 has amended the Country-by-Country (CbC) reporting provisions under the Income Tax Act by aligning internal cross-references and refining the definition of an Ultimate Parent Entity (UPE) to align with the OECD Base Erosion and Profit Shifting (BEPS) Action 13 Guidelines on CbC reporting.

The Act redefines a UPE to mean a constituent entity of a Multinational Enterprise (MNE) group where:

a) the constituent entity directly or indirectly owns a sufficient interest in one or more other constituent entities within the MNE group;

b) the constituent entity is required to prepare consolidated financial statements under accounting principles generally accepted 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 MNE group that owns directly or indirectly, a sufficient interest in any of the other constituent entities of the MNE group.

These amendments seek to ensure consistency within the CbC reporting framework and enhance alignment with international tax transparency standards under the OECD BEPS Action 13 framework. They also improve clarity in identifying the reporting entity responsible for preparing and filing CbC reports within MNE groups.

Effective Date: 01 July 2026

12. Reintroduction of WHT on Scrap Metal

The Finance Act, 2026 has re-introduced Withholding Tax (WHT) on payments made to both resident and non-resident scrap metal suppliers at a rate of 1.5% of the gross payment.

This amendment reverses the position introduced under the Finance Act, 2025, which had repealed the application of WHT on payments in respect of scrap metal transactions.

The reinstatement of WHT is intended to strengthen tax compliance within the scrap metal value chain and improve revenue collection efficiency in the sector.

Effective Date: 01 July 2026

13. Repeal of the Preferential WHT Rate on Dividends paid to EAC Citizens

The Finance Act, 2026 has repealed the preferential Withholding Tax (WHT) rate previously applicable to residents of East African Community (EAC) Partner States in respect of dividend income.

Prior to this amendment, individuals who are tax residents of EAC Partner States benefited from a reduced WHT rate of 5% on dividends, compared to the standard non-resident rate of 15%.

Resultantly, dividends paid to all non-resident persons, including residents of EAC Partner States, will be subject to WHT at the rate of 15%, unless a reduced rate applies under an applicable Double Taxation Agreement (DTA).

This change aligns the taxation of cross-border dividend payments with the general non-resident WHT framework and removes the region-specific preferential treatment.

Effective Date: 01 July 2026

14. Scrapping of Preferential Corporate Income Tax Rate on Large-Scale Residential Housing Developers

The Finance Act, 2026 has repealed the tax incentive that previously allowed entities undertaking large-scale residential housing developments (defined as constructing at least 400 housing units per year) to benefit from a reduced Corporate Income Tax (CIT) rate of 15% on income derived from such projects.

The Act further removes the provision that permitted companies engaged in multiple lines of business to apply the preferential 15% CIT rate only to the portion of income attributable to residential housing projects.

Resultantly, entities engaged in large-scale residential housing developments will no longer enjoy the reduced tax rate of 15% and will instead be subject to the standard CIT rate of 30% on income derived from such development.

Effective Date: 01 July 2026

15. Exemption of Pension Payouts due to demise of a person from Income Tax

The Finance Act, 2026 has exempted from Income Tax any pension benefits paid from a registered pension scheme where the payment is triggered by the demise of a scheme member.

Under the amended provisions, pension benefits paid to beneficiaries or the estate of a deceased member will not be subject to income tax. This amendment provides certainty on the tax treatment of death benefits and ensures that beneficiaries receive the full value of the deceased member's pension entitlement without any income tax deduction.

The exemption enhances the financial protection afforded to dependants and beneficiaries during bereavement by eliminating the tax burden on pension death benefits and aligning the tax treatment of such payments with their social security objective.

Effective Date: 01 July 2026

16. Exemption of Capital Gains Tax on Transfers to Real Estate Investment Trusts (REITs)

The Finance Act, 2026 has exempted from Capital Gains Tax (CGT) any gains arising from the transfer of property into a Real Estate Investment Trust (REIT) registered by the Commissioner under the Income Tax Act.

The exemption applies where property is transferred into a REIT that forms part of a registered collective investment scheme, which may include unit trusts, employer-sponsored investment schemes, REITs and their investee companies, subject to such conditions as may be prescribed by the Cabinet Secretary for the National Treasury through subsidiary legislation.

This amendment facilitates the development of the REITs market by removing CGT as a cost barrier to the transfer of property into regulated investment structures. It is intended to encourage the pooling of real estate assets and promote their professional management and efficient allocation within the investment sector.

Effective Date: 01 July 2026

17. Clarity on Investment Allowance on Industrial Buildings

The Finance Act, 2026 has clarified that the investment allowance applicable to qualifying industrial buildings which is claimable at the rate of 10% per annum, shall be deducted in equal annual instalments over the applicable claim period.

This amendment removes the uncertainty that previously existed due to the absence of an express provision in the Income Tax Act prescribing the method of claiming the allowance.

By specifying that the deduction is to be claimed in equal instalments, the Finance Act, 2026 provides greater certainty and consistency in the computation of investment allowance claims for taxpayers undertaking qualifying industrial building investments.

Effective Date: 01 July 2026

18. Expanded Scope of Capital Gains Tax on Indirect Transfers

The Finance Act, 2026 expands the scope of Capital Gains Tax (CGT) to capture gains arising from indirect transfers of property situated in Kenya.

Under the amended provisions, CGT applies to gains derived by non-resident persons from the disposal of shares or interests in entities where the value of such shares or interests is derived, directly or indirectly, from assets situated in Kenya. The amendment also extends CGT exposure to transactions that result in a change in the group membership of a company resident in Kenya, or where there is any change in ownership, title, or interest in property located in Kenya.

This significantly broadens Kenya's taxing rights over offshore and cross-border transactions, particularly within private equity structures, holding company arrangements, and extractive industry investments. As a result, CGT may arise even where there is no direct transfer of Kenyan-situated assets, provided the underlying value of the transaction is attributable to such assets.

The amendment strengthens the taxation of indirect transfers and aligns the CGT framework with evolving international tax practice aimed at preventing base erosion through offshore structuring.

Effective Date: 01 July 2026

19. Harmonization of Taxation of Branches with the Extractive Industries

The Act now harmonizes the taxation framework applicable to branches and other Permanent Establishments (PEs) operating in Kenya, including those in the extractive industry.

The Act introduces a Branch Repatriation Tax at the rate of 15% on income repatriated by branches to their head offices. This tax applies to both licensed mining companies and contracted petroleum operators and is intended to ensure parity in the taxation of profits remitted offshore by permanent establishments. Additionally the Finance Act, 2026 reduces the corporation tax rate applicable to branches and other PEs operating in the extractive industry from 37.5% to 30% of taxable income.

Effective Date: 01 January 2027

New Provisions Introduced In The Finance Act, 2026 Not Contained In The Finance Bill, 2026

1. Changes to Income Tax Filing Timelines

The Act obligates an individual to furnish KRA with a tax return within a fixed deadline of the last day of the fourth (4th) month following the end of that taxpayer's year of income.

The Act provides that all individuals be required to submit their self-assessment tax returns of all sources of income on or before the last day of the 4th month following the end of the taxpayer's year of income that is by 30 April, given that each individual has 31 December as the default year of income.

The Act clarifies that all companies chargeable to income tax are required to submit their self-assessment tax returns of their incomes on or before the last day of the sixth (6th) month following the end of their specific accounting periods.

Effective Date: 01 January 2027

2. Exemption of employment income earned outside Kenya by non-residents employed by Kenya Airways.

The Act exempts from Kenyan Income Tax the employment income earned by non-resident individuals employed by or engaged on behalf of Kenya Airways, to the extent that the income relates to duties performed outside Kenya in connection with its international transport operations.

Under the amendment, employment income earned by non-resident airline employees for duties carried out outside the territorial jurisdiction of Kenya will be excluded from the scope of taxable income in Kenya. This will ensure that such income is not subjected to Kenyan Income Tax merely by virtue of the employer's operational presence in Kenya.

The exemption is intended to align the taxation framework with international aviation practices, where taxation rights over employment income are generally allocated based on the place where services are physically performed. It also prevents potential double taxation scenarios for non-resident airline personnel who may operate across multiple jurisdictions within the course of their employment.

Effective date: 01 July 2026

3. Kenya Airways exempted from WHT applicable to digital payment infrastructure fees

In light of the expanded definitions of management or professional fees and royalty, the Act has also introduced a corresponding exemption from WHIT for certain payments made by Kenya Airways to non-residents.

The exemption applies to payments in respect of access to, participation in or use of specified digital payment infrastructure, including proprietary digital platforms, payment networks, payment-card schemes, payment processing, switching, clearing and settlement systems. The fee may be charged periodically or per transaction, regardless of whether it is called a service fee, network fee, assessment fee, processing fee or similar charge. The amendment is meant to ensure that, notwithstanding the expanded scope of digital payment-related fees subject to WHT, qualifying cross-border payments made by the Kenya Airways remain exempt, thereby reducing the WHT burden and providing greater certainty on the tax treatment of such payments.

Effective Date: 01 July 2026

4. Clarification on the deductibility of bad debts for regulated lenders under specified conditions

The Act has clarified that, for a person carrying on a money lending business, or a bank, financial institution or microfinance institution licensed under the relevant laws, a bad debt includes the principal amount, accrued interest and any other amount relating to the debt, provided the debt has become bad in accordance with the Commissioner's Guidelines under Legal Notice 37 of 2011.

The amendment appears to address the uncertainty arising from recent tax disputes on the deductibility of written-off loans. In particular, in Premier Credit Limited v Commissioner of Domestic Taxes, the Tribunal held that the principal amount of a written-off loan was capital in nature and therefore did not qualify as a deductible bad debt. Conversely, in Fourth Generation Capital Limited v Commissioner of Domestic Taxes, the Tribunal recognized that, for a money lending business, the principal amount of a loan constitutes trading stock and may therefore qualify for deduction upon write-off, subject to the bad debt deduction conditions. The deduction is generally available where the lender has made reasonable efforts to recover the debt.

The Finance Act, 2026 has now provided clarity by expressly confirming that, for regulated lenders, a deductible bad debt comprises the principal, interest and any other related amounts thus reducing disputes around this matter.

Effective date: 01 July 2026

5. Transitional loss carry-forward relief for qualifying investments exceeding KES 10 Billion

The Act has introduced a transitional relief for taxpayers that had made significant capital investments in Kenya before the introduction of the five-year limitation on the carry-forward of tax losses under the Finance Act, 2025 effective 01 July 2025.

The Act provides that where a person had, before 01 July 2025, invested at least KES 10 billion in Kenya and had an ascertained tax deficit for any period before that date, the deficit shall be deemed to have arisen in the 2025 year of income. Consequently, the tax loss may continue to be carried forward and deducted from future taxable income until it is fully utilized, notwithstanding the five-year limitation introduced by the Finance Act, 2025.

The amendment protects qualifying investors from losing the benefit of tax losses accumulated before the introduction of the five-year loss carry-forward rule, thereby providing greater certainty for long-term capital-intensive investments.

Effective date: 01 July 2026

6. Introduction of a 100% first-year investment deduction for petroleum and gas storage facilities exceeding KES 10 Billion

The Finance Act, 2026 has amended the Second Schedule to the Income Tax Act to provide for taxpayers that incur qualifying capital expenditure exceeding KES 10 billion to claim a 100% investment deduction in the first year of use. This is a departure from where such taxpayers claimed investment deduction at the rate of 50% in the first year of use for qualifying capital expenditure incurred on petroleum and gas storage facilities with the remaining expenditure deductible at the rate of 25% per year on the residual value.

The amendment accelerates the availability of tax relief for qualifying investments, enabling investors to recover their capital expenditure more quickly through tax deductions. This is expected to improve cash flows for large-scale energy infrastructure projects and enhance the attractiveness of investing in petroleum and gas storage facilities in Kenya.

The measure may also support Kenya's efforts to strengthen its strategic petroleum and gas storage capacity, particularly at a time when geopolitical tensions and supply chain disruptions have underscored the importance of energy security and supply resilience.

Effective date: 01 July 2026

7. Inclusion of licensed microfinance institutions among qualifying financial institutions under the Fourth Schedule

The Finance Act, 2026 has expanded the list of qualifying financial institutions under the Fourth Schedule to the Income Tax Act to include licensed microfinance institutions.

Under the amendment, interest paid on housing loans obtained from licensed microfinance institutions will qualify for mortgage interest relief, subject to the existing statutory limits and conditions applicable to other approved lenders such as banks, financial institutions, and mortgage finance companies.

This inclusion ensures that borrowers accessing credit from microfinance institutions are treated equitably within the tax framework, particularly in relation to housing finance. It also reflects the growing role of microfinance institutions in providing accessible credit to individuals who may not meet the lending thresholds of traditional banking institutions.

By bringing licensed microfinance institutions within the ambit of qualifying lenders, the Finance Act, 2026 enhances financial inclusion and broadens access to tax relief on housing-related borrowing. The amendment also aligns the tax treatment of microfinance lending with the regulatory recognition of these institutions under the Banking Act and related financial services legislation.

Effective date: 01 July 2026

8. Expanded exemption from WHT on commissions to non-resident agents

Commissions paid by a resident air transport operator to a non-resident agent for securing transport services, rather than only international travel tickets, will henceforth be exempt from withholding tax (WHT).

The amendment broadens the scope of the exemption, providing greater certainty on the tax treatment of such commissions while reducing the WHT burden on resident air transport operators engaging non-resident agents to facilitate transport services.

Effective date: 01 July 2026

Finance Bill, 2026 Proposals Dropped

1. Expanded definition of royalty to include software distribution arrangements

The Finance Bill proposed that recurring payments made by software distributors would constitute royalties subject to WHT. This proposal was omitted from the Act.

This in line with the Tax Appeals Tribunal ruling in Seven Seas Technologies Ltd v Commissioner of Domestic Taxes case where the Tribunal held that payments for software distribution do not constitute royalties where no intellectual property rights are transferred.

2. Nil filing timelines

The proposal to have taxpayers with nil tax payable to submit their returns within one month after the end of the relevant year of income was dropped.

3. Tax on non-distribution of Dividends to be at least 60% of reserves

The Finance Bill, 2026 proposal to introduce a minimum deemed dividend distribution threshold of 60% of a company's distributable income or reserves has been dropped. Therefore, the existing deemed dividend distribution rule where there is no defined threshold, remains.

4. Tax Relief on Housing Loans from Central Bank of Kenya

The proposal to extend the scope of the mortgage interest deduction under the Income Tax Act to include housing loans advanced by the Central Bank of Kenya (CBK) for the construction, purchase, or improvement of a house occupied by an employee has been dropped.

5. Repeal of WHT Exemptions applicable to Kenya Airways

The proposal to repeal the exemption previously granted on payments made to non-resident persons by Kenya Airways for specialized technical, maintenance, compliance, training, or digital systems support services where such services are not available within Kenya or where the service provider is certified or accredited by an international regulatory, standards-setting, or licensing body, has not been enacted.

Therefore, such payments are not subject to Withholding Tax (WHT) at the applicable rate of 20%.

6. Tax Exempt Gratuity to exclude employees already covered under pension contributions

The Act does not adopt the proposed restriction that would have excluded employees already covered under pension contributions from the tax exempt gratuity criterion. Consequently, such employees may also benefit from the exemption, provided the statutory conditions are met.

C. VAT ACT, 2013

Finance Bill Proposals Adopted In The Finance Act, 2026

1. Deletion of definitions

The Act has deleted the following definitions from Value Added Tax Act, 2013 (VAT Act):

- Assessment
- Information technology
- Tax computerized system

This deletion is to align and harmonise the VAT Act with the TPA.

Effective Date: 01 July 2026

2. Determination of Hire Purchase transactions for VAT purposes

The Act has amended the treatment of taxable supplies under hire purchase transactions by introducing a requirement that a person carrying on a hire purchase business be licensed under the Hire Purchase Act. Consequently, where a person is duly licensed, the financial charge payable under the hire purchase arrangement will not constitute a consideration for a taxable supply.

Effective Date: 01 July 2026

3. Accounting for VAT upon change of taxable supplies to VAT exemption status

The Act introduces a provision on the VAT treatment of registered businesses that acquire goods for use in making taxable supplies that subsequently undergo a change in VAT status and become VAT exempt. In such circumstances, the taxpayer will be required to account for an amount equal to the input VAT previously claimed on goods that remain unsold at the time the supplies become VAT exempt. Where this adjustment creates a VAT liability, the taxpayer will be required to remit the amount due to KRA.

Effective Date: 01 July 2026

4. Change of VAT refund application on bad debts

The Act has amended VAT refund provisions resulting from bad debts by increasing the period within which a registered person may apply for a VAT refund on unpaid supplies from two years to three years from the date of supply.
This amendment extends the period within which a taxpayer may claim VAT on bad debts and therefore create significant cash flow constraints, with potential negative implications for business operations.

Effective Date: 01 July 2026

5. Clarification on issuance of a tax invoice

The Act has amended the provisions relating to tax invoices by providing a clarification that only suppliers making taxable supplies are permitted to issue invoices that display amounts in the tax field. This is intended to eliminate ambiguity by clearly defining the circumstances under which a supply qualifies as a taxable supply.

Effective Date: 01 July 2026

6. Repeal of provisions relating to tax avoidance schemes

The Act has repealed the provisions in the VAT Act relating to tax avoidance schemes. Currently, the VAT Act grants the Commissioner Powers to counteract arrangements designed to reduce a person's tax liability. The amendment seeks to remove these provisions from the VAT Act and instead harmonize them to the TPA, which governs administrative and procedural aspects of tax law. This change is intended to consolidate rules on tax avoidance within a single statute for greater clarity and consistency.

Effective Date: 01 July 2026

7. Applicability of VAT to official aid funded projects on certain supplies

The Act has introduced VAT at rate of 16% on the spare parts for vehicles used in official aided projects. Currently, the spare parts are VAT exempt under the official aided project framework.

This move by the Government will have significant implications for donor funded grants, as most donors

impose strict restrictions prohibiting the use of grant funds to settle local taxes. Such funds are intended to be applied strictly in line with the donors' approved objectives and conditions, and diversion for tax payments would be contrary to the donors' expressed intent.

Effective Date: 01 July 2026

8. Explicit exemption for passenger duty

The Act has increased the duty-free allowance for goods that travellers may import in their accompanied baggage from USD 300 to USD 2,000.

This will allow travellers to purchase more goods from foreign markets and bring them into Kenya without incurring tax, provided the value of the goods does not exceed the prescribed limit.

Effective Date: 01 July 2026

9. VAT on specific financial services

The Act has subjected to VAT certain financial services, including the carriage of cash, restocking of automated teller machines, money sorting and counting services, as well as money transfers, payment processing, settlement, merchant acquiring, gateway, and aggregation services supplied through software applications or digital platforms for a fee or commission by payment service providers.

This represents an adverse policy shift, as it is likely to increase the cost of financial services. The additional VAT burden will be passed on to consumers and businesses, thereby raising transaction costs, discouraging the use of formal and digital payment systems, and potentially undermining financial inclusion objectives, particularly for small businesses and low-income users who rely heavily on affordable electronic payment services.
"Payment service provider" means;

(a) a person, company or organization which owns, possess, operates, manages or controls a public switched network for the provision of payment services; or

(b) any other person, company or organization that processes or stores data on behalf of such payment service provider or users of such payment services.

Effective Date: 01 July 2026

10. Clarity of tour operator services and in house supplies

The Act clarifies the definitions of tour operators and in house supplies by defining the terms as outlined below:
Tour operator
To mean a tour or safari operator licensed as such by the competent authority responsible for regulating and overseeing the tourism sector; and

In-house supplies
To mean 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.

Effective Date: 01 July 2026

11. The reclassification of VAT status on certain goods and services

Item	Current VAT status	Enacted change in VAT status
The Act has amended the wording in paragraph 89 by deleting "any other aircraft spare" and replacing this with the word "aircraft". The new paragraph 89 now reds "aircraft parts..." are exempt from VAT. This read together with paragraph 49 of the VAT Act, 2013 i.e., all goods and parts therof of chapter 88 still provides for VAT exemption on aircraft and its parts	Exempt	Exempt
Direction-finding compasses, instruments and appliances for aircraft	Exempt	Vatable @16%
Taxable goods and services 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. "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	Exempt	Vatable @ 16%

Item	Current VAT status	Enacted change in VAT status
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	Exempt	Vatable at 16%
Dialyzers of tariff number 8421.29.00	Vatable @16%	Exempt
Scrap metal	Vatable @16%	Exempt
Inputs or raw materials locally purchased or imported for the manufacture of pharmaceutical products upon recommendation by the Cabinet Secretary for the time being responsible for matters relating to health	Zero rated	Exempt
Bioethanol vapour (BEV) Stoves classified under HS Code 7321.12.00 (cooking appliances and plate warmers for liquid fuel)	Zero rated	Exempt
The supply of goods and services for the direct and exclusive use in the implementation of infrastructure projects undertaken under a public private partnership framework, upon approval by the Cabinet Secretary on the recommendation of the Cabinet Secretary for the Ministry responsible for the implementation of the project	Vatable @ 16%	Exempt

Effective Date: 01 July 2026

New Provisions Introduced In The Finance Act, 2026 Not Contained In The Finance Bill, 2026

1. Exclusion of employee related costs from taxable amount

The amendment introduces a special VAT treatment for businesses that provide:

- Labour services;
- Outsourcing services; and
- Employee placement services.

Under the new provisions, where the supplier incurs employee-related costs in providing these services, those costs are deemed to be disbursements incurred by the supplier on behalf of the client.

The Finance Act has amended Section 13 of the VAT Act by introducing new subsections, (5A) and (5B). Where a supplier provides labour, outsourcing, or employee placement services and incurs employee-related costs, those costs are treated as disbursements incurred by the supplier on behalf of the client.

"Employee related costs" includes salaries, wages, statutory deductions and such other related costs.

Effective Date: 01 July 2026

2. Input VAT Deduction relating to exempt supplies to selected security departments

The amendment creates a special input VAT recovery mechanism for taxpayers making exempt supplies to:

- Kenya Defence Forces (KDF)
- Defence Forces Welfare Services (DEFWES)
- National Intelligence Service (NIS)
- National Police Service (NPS)

Finance Act has amended Section 17 of the VAT Act by inserting new Input VAT deduction and refunds relating to exempt supplies made to Kenya Defence Forces (KDF), Defence Forces Welfare Services (DEFWES), the National Intelligence Service (NIS), and the National Police Service (NPS) Provided that the supplies are supported by such documentation as the Commissioner may prescribe and the deductions are limited to input tax directly attributable to those supplies.

The input tax deducted shall not be subject to apportionment where it is wholly attributable to the supplies specified.

Effective Date: 01 July 2026

3. VAT exemption on supply of goods for direct use in infrastructure projects

The Act has Introduced VAT exemption on supply of goods for direct and exclusive use in the implementation of infrastructure projects undertaken and funded by the National Infrastructure Fund as approved by the CS for National Treasury.

Effective Date: 01 July 2026

4. VAT exemption on plant, machinery, equipment and spare parts for projects with an investment value of at least KES 3 billion.

The Finance Act, 2026 introduces a significant investment incentive by exempting from VAT plant, machinery, equipment and spare parts imported or purchased locally for use in projects with a minimum investment value of KES 3 billion.

The exemption is subject to approval by the Cabinet Secretary for the National Treasury upon recommendation by the Cabinet Secretary responsible for Trade and Investment Promotion. The measure is expected to lower the cost of capital investment, enhance Kenya's competitiveness in attracting large-scale investments, and support the government's industrialization and economic growth agenda.

Effective Date: 01 July 2026

5. VAT exemption status on taxable goods and services used in the construction of liquefied petroleum gas ("LPG") storage tanks

The Finance Act, 2026 introduces a targeted VAT incentive for strategic energy infrastructure by exempting taxable goods used in the construction of LPG storage tanks and related infrastructure in Kenya, provided the investment is at least KES 5 billion and has been recommended by the Cabinet Secretary responsible for energy. The incentive is expected to reduce the capital cost of large-scale LPG projects, promote private sector investment in energy infrastructure, and strengthen the country's energy security objectives.

Effective Date: 01 July 2026

6. VAT exemption on the making of advances or granting of credit

The Act has Introduced VAT exemption on the making of any advances or granting of credit, including the sale, disposal or realization of collateral, repossessed assets or secured property arising from the enforcement of security for loans, credit or other exempt financial services.

Effective Date: 01 July 2026

7. VAT Exemption for capital goods

The Act has introduced VAT exemption on capital goods, which the Cabinet Secretary may determine to promote investment in the manufacturing sector provided that the value of such investment is not less than KES 2 billion.

8. Introduction specification of VAT zero-rated status for the supply of electric bicycles and solar and lithium-ion batteries

The Act has introduced tariff heading 8712.00.00 on the zero-rated supply of electric bicycles and tariff heading 8507.60.00 on zero-rated supply of solar and lithium-ion batteries. The paragraphs now read as follows:

31. The supply of electric bicycles of tariff heading 8712.00.00; and
32. The supply of solar and lithium-ion batteries of tariff heading 8507.60.00.

Finance Bill, 2026 Proposals Dropped

- **Exempt supplies that were proposed to be vatable at 16%:**
  - The supply of denatured ethanol of tariff number 2207.20.00

- **General rated supplies that were proposed to be VAT exempt:**
  - Worn clothing and other worn articles of tariff heading 6309, other than upon importation.
  - Human blood, animal blood prepared for therapeutic, prophylactic or diagnostic. All these items are under tariff heading 3002.90.00.

- **Zero rated supplies that were proposed to be VAT exempt:**
  - The supply of motorcycles of tariff heading 8711.60.00.
  - The supply of electric bicycles
  - Inputs or raw materials locally purchased or imported for the manufacture of animal feeds upon recommendation by the Cabinet Secretary for the time being responsible for matters relating to agriculture
  - Transportation of sugarcane from farms to milling factories
  - The supply of imported or locally purchased telephones for cellular networks and other wireless networks
  - The supply of solar and lithium-ion batteries
  - The supply of electric buses of tariff heading 87.02.

D. TAX PROCEDURES ACT

Finance Bill Proposals Adopted In The Finance Act, 2026

1. Introduction of new definitions

The Finance Act, 2026 (the Act), has introduced the following definitions in the TPA Act following enactment of the Virtual Asset Service Providers Act, 2025.

"Virtual asset" means 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 digital representation of fiat currencies, securities and other financial assets.

"Virtual asset service provider" means a company licensed under the Virtual Asset Providers Act, 2025 (VAP Act) to carry on the business of virtual asset services.

Effective Date: 01 July 2026

2. Definition of Certificate of Origin removed

The Act has deleted the definition of Certificate of Origin (COO) under the TPA. This definition has been deleted due to the removal of the requirement to present a COO upon importation of goods into Kenya.

Effective Date: 01 July 2026

3. Filing of information returns for Virtual Asset Service Providers

The Act has enacted the reporting obligation for Virtual Asset Service Providers (VASPs) whereby VASPs will be required to file an annual information return with the Commissioner, containing information on all the reportable virtual asset users and reportable users. The obligation applies to VASPs that facilitate exchange transactions, provide trading platforms on behalf of customers, or act as counterparties or intermediaries in such transactions.

Where a VASP submits a false statement in the return, they shall be liable to a fine of KShs 100,000 for each false statement or imprisonment not exceeding 3 years or both. Additionally, omission of any information required on the return will attract a penalty of KShs 100,000 for each omission. A VASP who fails to file an information return or a "nil" information return will be liable to a penalty of KShs 1,000,000 for each failure.

However, a VASP shall not be liable for the above penalties relating to false statements or omissions where the required information relates to another person and reasonable efforts were made in good faith to obtain that information from that person.

Effective Date: 01 July 2026

4. Automatic exchange of information on virtual asset transactions

The Act empowers the government to enter into an agreement with another country for the automatic exchange of information relating to transactions involving Virtual Assets. The agreement shall provide for the exchange of information relating to:

i. Filed information returns;
ii. Due diligence reporting and record keeping obligations;
iii. The virtual assets users with which a virtual asset service provider maintains a relationship in every calendar year identified as reportable users or controlled persons of reportable persons;
iv. Nil return filings by virtual asset service providers who do not maintain a relationship with virtual asset users identified as reportable users or as having controlling persons that are reportable persons; and
v. Arrangements or practices by VASPs, whose main purpose or one of the main purposes, can reasonably considered to be to avoid obligations imposed under the TPA.

The Act empowers the Cabinet Secretary to make necessary regulations for the implementation of the above.

Effective Date: 01 July 2026

5. Reinstatement of Deregistered Persons

The Act allows for the reinstatement of a person's PIN that had previously been deregistered. Such a person

may apply to the Commissioner for reinstatement of their PIN.

Where the Commissioner is satisfied that the applicant is liable to be for tax, the Commissioner shall reinstate and reissue the same PIN that had been assigned to the person prior to deregistration. The further provides that the Commissioner shall notify the person in writing of the decision regarding reinstatement within 90 days from date of receiving the application.

Effective Date: 01 July 2026

6. PIN exemption for non-residents opening accounts in an investment bank

The Act has exempted non-resident persons from the requirement of a PIN when opening an account with an investment bank and financial institutions.

This change may encourage foreign direct investment, as the bureaucracy of non-residents investing in Kenya will have been minimized.

Effective Date: 01 July 2026

7. Liability for tax payable under tax avoidance schemes

The Act has empowered the Commissioner to issue a tax assessment within 5 years to a person who has entered or carried out a tax avoidance scheme or received a tax benefit in connection with the scheme. The Commissioner will rely on the following information to issue the tax assessment:

a) information submitted on withholding tax (WHT) deductions;

b) accounting of tax deducted from employee emoluments;

c) any information submitted to the Commissioner that would lead to the identification or recovery of unassessed taxes or duties as per the Kenya Revenue Authority (KRA) Act;

d) electronic tax invoices and information submitted to the Commissioner via e-TIMS;

e) returns received by the Commissioner upon request from third parties;

f) information obtained from inspection of goods, equipment, devices and records conducted by the Commissioner or an authorized officer;

g) information obtained from records produced by a person under audit by the Commissioner;

h) information submitted to the Commissioner under an established data management and reporting system; and

i) Information submitted to the Commissioner under any other written law.

The Commissioner is however obligated to issue written reasons why they deem a taxpayer was involved in a tax avoidance scheme. The Act defines a "scheme" to include a course of action, agreement, arrangement, promise, plan, proposal or undertaking.

A "tax benefit" means a reduction in tax liability, increase in deduction for input tax, a refund, postponement of tax liability, acceleration of deduction of input tax, any other advantage from payment delay or accelerated input tax deduction, anything that causes a taxable supply or import to not be taxable or anything that gives rise to an input tax deduction for an acquisition used or to be used in making taxable supplies.

This broadens the Commissioner's powers to issue tax assessments to a person who obtains a tax benefit under a tax avoidance scheme.

Effective Date: 01 July 2026

8. Reintroduction of Tax Amnesty

The Act has enacted the proposal to reintroduce the tax amnesty provisions. This provision allows for waiver of accrued penalties, interest and fines where the principal tax has been settled before 31 December 2025.
For principal taxes unpaid as at 31 December 2025, taxpayers will enjoy tax amnesty on penalties, interest or fines on the unpaid principal tax if they:

i. Apply and clear outstanding principal taxes by 31 December 2026

ii. Maintain a tax compliance status by not incurring further tax debt; and

iii. Submit a written undertaking for the settlement of all outstanding taxes due.

Where a taxpayer pays part of the principal tax that was due as at 31 December 2025 and had been granted amnesty on accrued penalties, interest and fines, fails to clear the remaining principal tax by 31 December 2026, the outstanding principal tax will attract penalties and interest.

Effective Date: 01 July 2026

9. Powers to issue additional assessments

The Act has enacted the proposal to allow the Commissioner to issue a default assessment on the income of a person based on the following information:

a) information submitted on WHT deductions;

b) accounting of tax deducted from employee emoluments;

c) any information submitted to the Commissioner that would lead to the identification or recovery of unassessed taxes or duties as per the KRA Act;

d) electronic tax invoices and information submitted to the Commissioner via e-TIMS;

e) returns received by the Commissioner upon request from third parties;

f) information obtained from inspection of goods, equipment, devices and records conducted by the Commissioner or an authorized officer;

g) information obtained from records produced by a person under audit by the Commissioner;

h) information submitted to the Commissioner under an established data management and reporting system; and

i) Information submitted to the Commissioner under any other written law.

The Commissioner may however request the taxpayer to provide the relevant information in writing at least 30 days before issuance of the assessment. The taxpayer may also object to the assessment in accordance with Section 51 of the tax procedures Act.

Effective Date: 01 July 2026

10. Seizure and Forfeiture of Goods by the Commissioner

The TPA provides that the Commissioner may confiscate goods if he had reasonable belief that the VAT or Excise duty payable in respect of the supply, removal, or import of the goods has not been or will not be paid. The Act has enacted the proposal to repeal this provision. This denies the Commissioner any legal right to seize the goods.

This change favors the taxpayers, as there will be reduced risk of immediate seizure based on suspicion. Additionally, KRA will need stronger justification or due process before seizing goods. This move will result in greater protection for businesses.

Effective Date: 01 July 2026

11. Penalties for failure to comply with electronic tax system requirements

The Act has retained the expansion of the penalties applicable for failure to comply with electronic tax system requirements. However, some amendment has been made as below;
The Act expands the penalties, being the higher of

a) 5% of the tax due;

b) KES 100,000 in the case of a company; or

c) In the case of an individual, KES 10,000.

Currently, the Commissioner requires a taxpayer to issue electronic tax invoices, submit returns electronically or pay taxes electronically. If violated, the taxpayer is required to provide satisfactory reasons for non-compliance and if not, penalties are applicable as before.

The introduction of the lower limits of one hundred thousand and ten thousand for individuals is aimed at enhancing stiffer penalties to ensure compliance with electronic tax system requirements.

Effective Date: 01 July 2026

12. Restriction of waiver of penalties and interest for electronic tax system errors

The Act has retained the proposed restriction of waiver of penalties and interest for electronic tax system errors to a tune of two million shillings, where the liability was due to an error generated by an electronic tax system. This amendment is detrimental to taxpayers who have penalties and interest exceeding KES 2 million arising from an error generated by an electronic tax system. It is unclear how taxpayers in this category will be dealt with as there are no alternative provisions in the TPA to remedy this.

Effective Date: 01 July 2026

13. Stamp duty exemption expansion

The Act has retained the proposal to amend Section 96A of the Stamp Duty Act on exempt property transfers to Real Estate Investment Trusts ("REITS") from stamp duty. This is a welcome move as it will encourage investment through REITS.

Effective date: 01 July 2026

14. Filling of returns using pre-populated return

The Act has empowered the Commissioner to use information technology to generate prepopulated returns on behalf of a taxpayer for tax filing purposes. This introduction is aimed at reducing manual input of the already existing information thus making filing returns fast and simple.

Additionally, the Act provides the following guidance on the use of pre-populated returns:

- The Commissioner shall notify the person that a pre-populated return has been issued under sub-section.
- The pre-populated return issued shall be issued on or before end of January of each year of income to the person required to submit or lodge a return.
- A person who is issued with a prepopulated return may confirm or amend the pre-populated the return.
- A person shall confirm or amend the prepopulated return within two months from the date the pre-populated return is issued by the Commissioner.

Whilst this amendment appears to be targeted at individual tax payers whose financial year ends in December, the term person has been used creating amiguity if non-individual taxpayers will be covered under this pre-populatated return provision given that they are required to file their income tax returns on or before the end of the 6th month after year end.

New Provisions Introduced In The Finance Act, 2026 Not Contained In The Finance Bill, 2026

1. Enhancement on information on virtual asset transactions

The Act has introduced further measures in regard to information exchanged on virtual asset transactions shall;

- be in accordance with the Data Protection Act; and
- be limited to information that is necessary, relevant and proportionate for the purposes specified in the applicable agreement.

The Commissioner shall not exchange information under this section unless he is satisfied that the receiving jurisdiction maintains adequate legal, technical and organizational safeguards for the protection of personal information.

The Commissioner shall maintain a record of all disclosures made, including the receiving jurisdiction, date of disclosure, legal basis of disclosure and categories of information disclosed.

Effective Date: 01 July 2026

2. Introduction of requirement to produce export documents for imported goods

The Act has introduced a requirement for importers to obtain and retain export documents issued by a competent authority in the country of export to evidence lawful exportation of the goods from that country. These include either an export declaration, export entry, custom export certificate or such other documents issued by the competent authority. These documents shall contain the following particulars:

a) Name and address of the exporter;
b) Name and address of the importer;
c) Description of goods exported;
d) The quality, value and tariff classification of the goods;
e) The country of export and country of destination;
f) Date of exportation; and
g) Reference number assigned by the customs authority of the country.

An importer must retain the export documents for a period of 5 years and produce the documents upon request by the Commissioner. Where an importer fails to produce the exportation documents from the country of origin or export, the commissioner may:

a) Reject any claim relating to the importation, value, origin, cost or ownership of the goods;
b) Determine the customs value, tax liability or any claim for deduction, exemption, refund or relief on the basis of the information available to the commissioner; and
c) Impose administrative penalties.

The Commissioner may waive the requirement to produce an export declaration where the customs administration of the country of export does not issue export declarations for such category of goods.

The Act further empowers the commissioner to make regulations prescribing the form, manner of production, categories of acceptable export declarations and equivalent customs documents for purposes of this section.

Effective Date: 01 September 2026

3. Power to recover fees, levies or charges under written law

The Act empowers the Commissioner to recover unpaid fees, levy or charge under written law as if it was an unpaid tax under a tax law where the commissioner is the collector. Additionally, if the outstanding amount is KES 100,000 or less, the Act provides that, it may be recovered summarily. This provision limits taxpayer's access to full judicial safeguards. By allowing summary recovery, the law prioritizes quick collection over due process, which can leave taxpayers with fewer opportunities to contest errors or unfair assessments

Effective Date: 01 July 2026

Finance Bill, 2026 Proposals Dropped

1. Removal of restriction from issuing agency notices on matters under appeal

The Act has dropped the proposal to empower the Commissioner to issue agency notices even in instances where the taxpayer has appealed the decision of a Court or Tribunal.

The repeal of this proposal means that the Commissioner cannot issue agency notices to enforce collection of a disputed tax liability where the taxpayer has appealed the decision of the Tax Appeals Tribunal or a court, until the appeal process has been concluded.

2. Timelines for Lodging Objections and Appeals

The Act has dropped the proposal to revert the period for lodging objections to assessments and appeals to the Tax Appeals Tribunal (TAT), High Court or Court of Appeal objections and appeals to calendar days. This retains the current stand to exclude Saturdays, Sundays or Public Holiday in the computation.

3. Removal of requirement to present Certificate of Origin on importation

The Act has dropped the proposal that repealed the requirement to present a valid Certificate of Origin to the Commissioner or an authorized officer upon importation of goods introduced by Finance Act, 2025.

The retention of the requirement to present a valid Certificate of Origin upon importation means that importers must continue to comply with the documentary requirements introduced by the Finance Act, 2025.

4. Offset of overpaid taxes against import VAT provisions removed

The Act has dropped the proposal to exclude VAT payable on imports from taxes that qualify for offset against overpaid taxes. This reinstates the provision to the original state where the Commissioner permits taxpayers to offset overpaid taxes against outstanding tax liabilities and future tax obligations including VAT payable on imports.

5. Removal of tax liability exemption where recipient has already accounted for tax

The Act has dropped the proposal to delete the provision that exempted a person from liability to pay any principal tax not deducted on qualifying payments, where the recipient has already paid and accounted for the principal tax in full.

E. MISCELLANEOUS FEES AND LEVIES ACT

New Provisions Introduced In The Finance Act, 2026 Not Contained In The Finance Bill, 2026

1. Exemption from IDF and RDL on goods used for construction of LPG storage tanks

The Act has introduced an exemption from payment of Import Declaration Fee (IDF) and Railway Development Levy (RDL) for goods used in the construction of liquefied petroleum gas (LPG) storage tanks and related infrastructure, provided the investment amounts to at least KES 5 billion and has been recommended by the Cabinet Secretary responsible for matters relating to energy.

Effective Date 01 July 2026

2. Increased allocation to programmes and projects under the Affordable Housing Act

The Act has increased the limit on allocations to the development of programmes and projects for affordable housing, institutional housing and social and physical infrastructure under the Affordable Housing Act (AHL) from 0.5% to 2%.

These allocations are approved by the Cabinet Secretary responsible for the National Treasury on the recommendation of the Cabinet Secretary responsible for affordable housing.

Effective Date 01 July 2026

3. Reduced allocations to Road Annuity Fund under the Road Maintenance Levy Fund Act

The Act has reduced the allocations to the Road Annuity Fund per litre of petroleum from KES 3 to KES 1.50. The Road Annuity Fund is allocated from road maintenance fuel levy collected under the Road Maintenance Levy Fund Act. The Road Annuity Fund is established under the Public Finance Management Act to fund the construction of roads under the Road Annuity Programme and similar roads approved by the National Assembly.

Effective Date 01 July 2026

Finance Bill Proposals Adopted In The Finance Act, 2026

1. Reduced scope of IDF and RDL exemptions on aircraft

The Act has retained the amendment proposed in Finance Bill to limit the IDF and RDL exemptions to all parts of Chapter 88 and goods of tariff headings 8802.30.00 and 8802.40.00. Prior to this, IDF and RDL exemptions applied to all goods and parts thereof of Chapter 88.

Effective Date 01 July 2026

2. Stamp Duty Exemptions on property transfer to REITs

The Act has retained the proposed amendment from the Finance Bill to exempt property transfers to Real Estate Investment Trusts (REITs) from stamp duty.

Effective Date 01 July 2026

Finance Bill, 2026 Proposals Dropped

1. Import Declaration Fee allocations for revenue enforcement activities

The Finance Bill sought to the reduce the portion of IDF collections paid into a fund established for revenue enforcement initiatives and managed under the Public Finance Management Act from 20% to 10%. This proposal was dropped in the Act.

2. Definition of East African Community Partner States

The Finance Bill proposed to amend the definition of East African Community Partner states to mean the Republic of Kenya, the Republic of Uganda and the Republic of Tanzania and any other country granted membership to the community under Article 3 of the Treaty Establishing the East African Community. Therefore, the definition of East African Community Partner States remains as the Republics of Burundi, Rwanda, Uganda and the United Republic of Tanzania.

3. Exemption of imported telephones from IDF and RDL

The Finance Bill proposed to exempt imported telephones for cellular networks and other wireless networks from IDF and RDL. This proposal was dropped in the Act.

F. EXCISE DUTY ACT

New Provisions Introduced In The Finance Act, 2026 Not Contained In The Finance Bill, 2026

1. Excise Duty refunds for manufacturers supplying to Defence Forces Welfare Services

The Act has introduced a new clause that was previously not in the Finance Bill, empowering licensed manufacturers of excisable goods who supply to the Defence Forces Welfare Services to apply for excise duty refunds in respect of directly attributable inputs used.

2. Changes in description of excisable goods

The Act has introduced the following amendment to the descriptions and excise duty rates:

Previous Description	New Description	Previous Rate	New Rate
Imported gas cylinders	Imported gas cylinders of tariff code 7311.00.10	5%	No change
Imported sugar excluding sugar imported by a registered pharmaceutical manufacturer and raw sugar imported for processing by a licensed sugar refinery	No change	KES 7.50 per Kg	KES 40 per Kg
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	No change	5% or KES 300 per square metre, whichever is higher	5% or KES 50 per Kg, whichever is higher
-	Imported MDF of tariff number 4411.12.00, 4411.13.00, 4411.14.00, 4411.92.00, 4411.93.00, 4411.94.00	-	30%
-	Imported particle boards of tariff number 4410.11.00, 4410.19.00, 4410.90.00	-	30%
-	Imported Block board of tariff number 4412.51.00, 4412.52.00, 4412.59.00, 4412.91.00, 4412.92.00, 4412.99.00	-	30%
-	Imported Plywood of tariff number 4412.10.00, 4412.31.00, 4412.33.00, 4412.34.00, 4412.39.00	-	30%
-	Imported timber of tariff number 4407.19.00	-	30%

Previous Description	New Description	Previous Rate	New Rate
-	Imported unprinted banner sheeting, flex banner and unprinted PVC sheeting of tariff 3921.12.10 and 3921.90.10		KES 200 per kilogram or 35%
-	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	-	35%
-	Imported heating elements used exclusively in the manufacture of shower heads of tariff heading 8516.10	-	35%
-	Oral smokeless tobacco products (Swedish-style snus) being processed tobacco intended for placement in the mouth and not intended for smoking, combustion or heating	-	KES 200 per Kg
-	Unprinted plastic sheets of tariff number 3920.43.10	-	10%
-	Pre-personal chip modules of tariff number 8542.31.00	-	10%

Effective Date: 01 July 2026

Finance Bill Proposals Adopted In The Finance Act, 2026

1. Definitions introduced

The Act has amended and inserted new definitions and interpretations of various terms as follows:

- **"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 that motor vehicle and whose value is at least ten million shillings exclusive of depreciation.
- **"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;
- **"virtual asset"** has the meaning assigned to it in Section 2 of the Virtual Asset Service Providers Act, 2025;
- **"virtual asset service provider"** has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025.

Effective Date: 01 July 2026

2. Changes in description of excisable services

The Act has amended the description relating to various services as tabulated below, the applicable rates have not changed:

Previous Description	New Description	Applicable Rate
Excise duty on betting shall be on the amount deposited into a customer's betting wallet. Provided that this paragraph shall not apply to horse racing.	Excise duty on betting shall be on the amount deposited for betting purposes	5%
Excise duty on gaming shall be on the amount deposited into a customer's gaming wallet	Excise duty on gaming shall be on the amount deposited for gambling purposes	5%
Excise duty on fees charged on virtual assets transactions by virtual asset providers	Excise duty on fees charged on virtual assets transactions by virtual asset service providers	10% of excisable value

Effective Date: 01 July 2026

3. Changes in description of excisable goods and applicable rates

The Act has amended the description of various goods and applicable Excise Duty rates as follows:

Previous Description	New Description	Previous Rate	New Rate
Fruit juices (including grape must), and vegetable juice, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	Fruit juices (including grape must) and vegetable juice, unfermented and not containing added spirit.	KES 14.14 per litre	No change
Fruit juices (including grape must), and vegetable juice, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	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
Bottled or similarly packaged waters and other non-alcoholic beverages, not including fruit or vegetable juices.	Non-alcoholic beverages, not including fruit or vegetable juices.	KES 6.41 per litre	No change Note: Bottled or similarly packaged waters are not subject to excise duty effective 1 July 2026,
Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages.	Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90%.	KES 500 per litre	KES 80 per litre
Cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes	No change	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	No change	KES 11,382.48 per kg	KES 12,550 per kg
Imported articles of plastic of tariff heading 3923.30.00 Imported articles of plastic of tariff heading 3923.30.00 and 3923.90.90	Imported articles of plastic of tariff heading 3923.30.00 and 3923.90.90	10%	No change Note: Locally manufactured articles of plastic are still not subject to excise duty.
Imported ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures of tariff heading 6910	No change	5% of custom value or KES 50 per kg	5% of excisable value or KES 50 per kg, whichever is higher
Imported float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked of tariff 7005 but excluding those imported by a registered processor upon the recommendation by the Cabinet Secretary responsible for matter relating to industry and those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked of tariff 7005 but excluding those imported by a registered processor upon the recommendation by the Cabinet Secretary responsible for matter relating to industry	35% of excisable value or KES 500 per square meter; whichever is higher.	No change

Previous Description	New Description	Previous Rate	New Rate
Imported float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked of tariff 7005 but excluding those imported by a registered processor upon the recommendation by the Cabinet Secretary responsible for matter relating to industry and those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked of tariff 7005 but excluding those imported by a registered processor upon the recommendation by the Cabinet Secretary responsible for matter relating to industry	35% of excisable value or KES 500 per square meter; whichever is higher.	No change
Fruit juices (including grape must), and vegetable juice, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	Fruit juices (including grape must) and vegetable juice, unfermented and not containing added spirit.	KES 14.14 per litre	No change
Fruit juices (including grape must), and vegetable juice, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	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

Effective Date: 01 July 2026

Finance Bill, 2026 Proposals Dropped

1. Goods imported from EAC excluded from imposition of Excise Duty

The Finance Bill proposed to amend the definition of "import" to exclude goods originating from an East African Community (EAC) Partner State and meets the EAC Rules of Origin. This proposal was dropped in the Act.

2. Excise Duty on locally purchased or imported telephones

The Finance Bill proposed to change the excise duty rate on telephones for cellular networks and other wireless networks under tariff heading 8517 from 10% to 25%. In addition, The Finance Bill proposed to amend the timing for accounting for excise duty for an importer or licensed manufacturer of locally purchased or imported telephones for cellular networks and other wireless networks to be the point of activation of the phone. These proposals were dropped in the Act.

3. Changes in description of excisable goods and applicable rates

The following The Finance Bill proposals were dropped in the Act:

Current Description	Description proposed by The Finance Bill	Current Rate
Imported cellular phones	Telephones for cellular networks and other wireless networks under tariff heading 8517.	10%.
*the Finance Bill proposed 25% excise duty rate		
Beer, cider, perry, mead, opaque beer and mixtures of fermented beverages with non-alcoholic beverages and spirituous beverages manufactured by licensed small independent brewers	The Finance Bill proposed to delete special rate for small independent brewers.	KES 10 per centilitre of pure alcohol
*The Finance Bill proposed KES 22.50 per cl		
Imported glass bottles (excluding imported glass bottles for packaging of pharmaceutical products) Provided that it shall not apply to glass bottles imported from any of the countries within the East African Community	Imported glass bottles (excluding imported glass bottles for packaging of pharmaceutical products)	35% or KES 40 per kg, whichever is higher
Imported furniture of tariff heading 9403 excluding furniture originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported furniture of tariff heading 9403	30%
Imported printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00	25% or KES 200 per kg, whichever is higher
Imported plates of plastic of tariff heading 3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported plates of plastic of tariff heading 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 whether or not printed of tariff heading 4821.10.00 and 4821.90.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported paper or paper board, labels of all kinds whether or not printed of tariff heading 4821.10.00 and 4821.90.00	25% or KES 200 per kg, whichever is higher
Imported printing ink of tariff 3215.11.00 and 3215.19.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported printing ink of tariff 3215.11.00 and 3215.19.00	15%
Imported other self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls of tariff number 3919.90.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported other self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls of tariff number 3919.90.90	25% of excisable value or KES 200 per kg, whichever is higher

Current Description	Description proposed by The Finance Bill	Current Rate
Imported printed polymers of ethylene of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.10.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported printed polymers of ethylene of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.10.90,	25% of excisable value 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, but excluding those originating from East African Community Partner States that meet the EastAfrican Community Rules of Origin	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	25% of excisable value or KES 200 per kg, whichever is higher
Imported printed poly (ethylene terephthalate) of polycarbonates, alkyd resins, polyallyl esters or other polyesters of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly of tariff number 3920.62.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported printed poly (ethylene terephthalate) of polycarbonates, alkyd resins, polyallyl esters or other polyesters of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly of tariff number 3920.62.90	25% of excisable value or KES 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 East African Community Partner States that meet the East African Community Rules of Origin	Imported printed cellular of other plastics of other plates, sheets, film, foil and strip of tariff number 3921.19.90,	25% of excisable value or KES 200 per kg, whichever is higher
Printed self-adhesive paper of tariff number 4811.41.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Printed self-adhesive paper of tariff number 4811.41.90	25% of excisable value or KES 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 that meet the EastAfrican Community Rules of Origin	Gummed paper and paperboard of tariff number 4811.49.00	25% of excisable value or KES 200 per kg, whichever is higher
Imported uncoated kraft paper and paperboard, in rolls or sheets; kraft liner; unbleached of tariff number 4804.11.00 but excluding those originating from East African Community Partner States that meet the EastAfrican Community Rules of Origin	Imported uncoated kraft paper and paperboard, in rolls or sheets; kraftliner; unbleached of tariff number 4804.11.	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 of tariff number 4804.31.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported other kraft paper or paperboard weighing 150g/m2 or less, in rolls or sheets; unbleached of tariff number 4804.31.	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 225g/m2, in rolls or sheets; unbleached of tariff number 4804.41.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported other kraft paper or paperboard weighing more than 150g/m2 but less than 225g/m2, in rolls or sheets; unbleached of tariff number 4804.41.00	25% of excisable value or KES 50 per kg, whichever is higher

Current Description	Description proposed by The Finance Bill	Current Rate
Imported other kraft paper or paperboard weighing more than 150g/m2 but less than 225g/m2, in rolls or sheets; unbleached of tariff number 4804.41.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported other kraft paper or paperboard weighing more than 150g/m2 but less than 225g/m2, in rolls or sheets; unbleached of tariff number 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 of tariff number 4804.51.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin	Imported other kraft paper or paperboard weighing 225 g/m2 or more others in rolls or sheets; unbleached of tariff number 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, but excluding those from East Africa Community Partner States that meet the East Africa Community Rules of Origin	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	35% of excisable value or KES 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.	Imported safety glass of tariff numbers 7007.19.00 and 7007.29.00	35% of excisable value or KES 500 per square metre, whichever is higher
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	Imported multiple-walled insulating units of glass of Tariff Heading 70.08	35% of excisable value or KES 500 per square metre, whichever is higher
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	Imported multiple-walled insulating units of glass of Tariff Heading 70.08	35% of excisable value or KES 500 per square metre, whichever is higher
Coal	No change. The Finance Bill proposed to increase the rate to 5% of customs value	2.5% of customs value
Bottled or similarly packaged waters and other non-alcoholic beverages, not including fruit or vegetable juices	Non-alcoholic beverages, not including fruit or vegetable juices	KES 6.41 per litre
Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages	Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90%	KES 500 per litre
Cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes	No change. The Finance Bill proposed to increase rate to KES 18,000 per kg	KES 16,260.29 per kg
Other manufactured tobacco and manufactured tobacco substitutes; "homogenous" and "reconstituted tobacco"; tobacco extracts and essences	No change. The Finance Bill proposed to increase rate to KES 12,550 per kg	KES 11,382.48 per kg

G. EAST AFRICAN COMMUNITY CUSTOMS MANAGEMENT ACT (ECCMA)

The following amendments to ECCMA were introduced via EAC Gazette Notice Vol. AT 1- No. 16.

Effective Date: 01 July 2026

Duty remission on raw materials and industrial inputs for the manufacture of goods.

Hs Code	Item Description	Remission
Various	Listed raw materials and inputs for the manufacture of garments and other made-up textile products	Rwanda, Kenya, Uganda and Tanzania granted duty remission on raw materials and inputs for the manufacture of garments and other made-up textile products as per Legal Notice EAC/164/2026
	Listed raw materials and inputs for the manufacture of garments and other made up textile products	Rwanda, Uganda, Tanzania and Kenya granted a duty remission on raw materials and inputs for the manufacture of garments and other made-up textile products as per Legal Notices EAC/165/2026, EAC/166/2026, EAC/167/2026 and EAC/168/2026 for one year
1001.99.10 1001.99.90	Hard wheat Other	Tanzania and Kenya granted a remission of duty to apply a duty rate of 10% instead of 35% for one year;
3909.50.00	Polyurethanes	Kenya, Rwanda and Uganda granted a remission of duty to apply a duty rate of 0% on inputs and raw materials for manufacture leather and other footwear for one year
1701.99.10	White refined sugar (for industrial use)	Originating goods from the Republic of Kenya and the United Republic of Tanzania manufactured using sugar for industrial use at the regional remission rate (10%) will be accorded preferential tariff treatment when transferred to the Republic of Uganda
Various	Inputs for the assembly / manufacture of Smart Tele Communication Devices including laptops and tablets.	Kenya granted a remission of duty on inputs for the manufacture of smart tele communication devices including laptops and tablets to apply a duty rate of 0% for one year
Various	Various inputs for manufacture of animal feeds.	Kenya granted a remission of duty at 0% on raw materials used in the manufacture of animal feeds for one year
2517.49.00 7210.61.00	Geobitec Stone Chips Alu-Zinc Coated Steel Coils	Kenya granted a remission of duty to apply a duty rate of 0% on inputs for the manufacture of roofing tiles coated with acrylic paint and the weather side coated with natural sand granules for one year
8308.20.00	Tubular or Bifurcated Rivets	Kenya granted duty remission at 0% for manufacture of leather goods for one year
8308.10.00	Hooks, eyes and eyelets	Kenya granted duty remission at 0% for manufacture of leather goods for one year
3402.90.00	Other Organic surface-active agents (other than soap); surface active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap, other than those of heading 34.01	Kenya granted duty remission at 0% for the chemicals used in tanneries for value addition in the leather sector for one year

Hs Code	Item Description	Remission
3210.00.10	Water pigments of kind used for finishing leather	Kenya granted duty remission at 0% for the chemicals used in processing finished leather for value addition in the leather sector for one year
3208.90.10	Lacquers- Based on acrylic or vinyl polymers:	Kenya granted duty remission at 0% for the chemicals used in processing finished leather for value addition in the leather sector for one year
3209.90.90	Lacquers- Paints and varnishes (including enamels and lacquers) based on synthetic polymers or chemically modified natural polymers	Kenya granted duty remission at 0% for the chemicals used in processing finished leather for value addition in the leather sector for one year
8425.11.00 8425.19.00 8431.39.00	Pulley tackle and hoists other than skip hoists or hoists of a kind used for raising vehicles (Powered by Electric Motor) Pulley tackle and hoists other than skip hoists or hoists of a kind used for raising vehicles (Other) Parts suitable for use solely or principally with the machinery of headings 84.26	Kenya granted duty remission at 0% for manufacturers of cranes for one year
Various	Inputs for assembly of clean rooms imported by pharmaceutical manufacturing companies	Kenya granted a remission of duty to apply a duty rate of 0% on inputs for assembly of clean rooms imported by pharmaceutical manufacturing companies for one year
4408.90.00	Sheets for veneering	Kenya granted a remission of duty on sheets for veneering used by manufacturers of furniture to apply a duty rate of 10% for one year
4411.12.00	MDF of a thickness not exceeding 5mm	Kenya granted a remission of duty on MDF of a thickness not exceeding 5mm used by manufacturers of doors to apply a duty rate of 10% for one year
7608.20.00	Extruded aluminium pipe and fitting of aluminium alloys	Kenya granted a remission of duty for assembly of compressed air and fluid transfer systems to apply a duty rate of 0% for one year
3909.50.00	Polyurethanes	Kenya granted a remission of duty for manufacture of cold room panels to apply a duty rate of 0% for one year

Duty remission for inputs to manufacture garments and other made-up textile products at the specified rate for one year (fy 2026/ 2027)

Hs Code	Description	Rate To Be Applied
5604.90.00	Other rubber thread and cord, textile covered; textile yarn, and strip and the like of heading 54.04 or 54.05, impregnated, coated, covered or sheathed with rubber or plastics.	0%
5602.10.00	Needle Loom felt and stitch-bonded fibre fabrics	10%
5407.10.00	Woven fabrics obtained from high tenacity yarn of nylon or other polyamides or of polyesters	10%
5513.11.00	Of polyester staple fibres, plain weave	10%
5513.21.00	Of polyester staple fibres, plain weave	10%
5208.31.00	Plain weave, weighing not more than 100 g/m2	10%
5208.32.00	Plain weave, weighing more than 100 g/m2	10%
5208.33.00	3-thread or 4-thread twill, including cross twill	10%

Hs Code	Description	Rate To Be Applied
5208.39.00	Other fabrics	10%
5208.41.00	Plain weave, weighing not more than 100 g/m2	10%
5208.42.00	Plain weave, weighing more than 100 g/m2	10%
5208.43.00	3-thread or 4-thread twill, including cross twill	10%
5208.49.00	Other fabrics	10%
5208.51.90	Other	10%
5208.52.90	Other	10%
5208.59.00	Other fabrics	10%
5309.21.00	Plain weave	10%
5309.29.00	Other fabrics	10%

S/N	HS Code	Item Description	Amendment of Rates
1.	2102.10.00	Active yeasts	EAC CET duty rate from 25% to **"25% or US$ 0.66 / KG whichever is higher"**
2.	2710.19.51	Lubricants in liquid form	EAC CET duty rate from 25% to **"25% or US$ 0.46 / litre whichever is higher"**
3.	4802.56.00	Weighing 40 g/m² or more but not more than 150 g/m², in sheets with one side not exceeding 435 mm and the other side not exceeding 297 mm in the unfolded state	EAC CET duty rate from 25% to **"25% or US$ 0.2 per KG whichever is higher"**
4.	4802.57.00	Other, weighing 40 g/m² or more but not more than 150 g/m²	EAC CET duty rate from 10% to **"10% or US$ 0.08 per KG whichever is higher"**
5.	6907.21.00	Of a water absorption coefficient by weight not exceeding 0.5 %	EAC CET duty rate from 35% to **"35% or US$ 3 / m2 whichever is higher"**
6.	6907.22.00	Of a water absorption coefficient by weight exceeding 0.5 % but not exceeding 10 %	EAC CET duty rate from 35% to **"35% or US$ 3 / m2 whichever is higher"**
7.	6907.23.00	Of a water absorption coefficient by weight exceeding 10 %	EAC CET duty rate from 35% to **"35% or US$ 3 / m2 whichever is higher"**
8.	6907.30.00	Mosaic cubes and the like, other than those of subheading 6907.40	EAC CET duty rate from 35% to **"35% or US$ 3 / m2 whichever is higher"**
9.	6907.40.00	Finishing ceramics	EAC CET duty rate from 35% to **"35% or US$ 3 / m2 whichever is higher"**
10.	7317.00.00	Nails, tacks, drawing pins, corrugated nails, staples (other than those of heading 83.05) and similar articles, of iron or steel, whether or not with heads of other material, but excluding such articles with heads of copper.	EAC CET duty rate from 35% to **"35% or US$ 0.35 / KG whichever is higher"**

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