Kenya's Not-For-Profit Sector 2025 Outlook

Highlights of significant transitions, including the shift from NGOs to PBOs under the PBO Act, 2013, regulatory changes in trust registration, the adoption of international financial reporting standards for NPOs, evolving tax compliance requirements, and the increasing importance of ESG and sustainability for securing funding and ensuring long-term impact.

Transition from NGOs to PBOs

The NGO Co-ordination Act was replaced by the Public Benefit Organisations (PBO) Act, 2013 on 14 May 2024 following the declaration by the Cabinet Secretary for Interior and Administration as the date the Act came into operation. All organisations registered under the repealed NGO Co-ordination Act were automatically transited to the new PBO Act and given a one-year transition period which ends on 13 May 2025 to seek re-registration under the PBO Act.

The PBO regulations which will govern the transition of NGOs to PBOs and applications for organizations that are to be bestowed the public status are yet to be released for public participation prior to implementation. We expect that this will be released in 2025. The impact of this is that all organisations under the repealed NGO Act will continue using the regulations provided under the repealed NGO Act. All new registrations are still being issued under the repealed NGO Act.

The key impact for the purpose of reporting under PBO Act in 2025 is that Form 14 will now be due for filing within 6 months instead of 3 months. On publication of regulations, all PBOs irrespective of the level of funding will be required to file their annual returns. The NGO Act exempted organisations with funding below Shs 1 million. PBOs will also be required to prepare financial statements based on Generally Acceptable Accounting Practice (Principles) applicable to non-profit organisations.

Our Comment

The PBO regulations are expected to have a significant impact on both entities registered under the PBO/NGO Act and those that carry out public benefit activities but registered under a different legal framework such as Companies Limited by Guarantee registered under the Companies Act 2015 and Trust and Foundations registered under the Trustees (Perpetual Succession) Act.

Changes in Trust Registration and Incorporation Following the Statute Laws (Miscellaneous Amendment) Act No. 3 of 2024

The **Statute Laws (Miscellaneous Amendment) Act No. 3 of 2024** introduced significant changes in the registration and incorporation of trusts in Kenya. The amendment to the **Trustees (Perpetual Succession) Act** has transferred the mandate for trust registration from the **State Department for Land and Physical Planning to the Business Registration Service (BRS).**

Transition to the Business Registration Service

On **3rd June 2024**, the **Business Registration Service (BRS)** officially began accepting applications for the registration of trusts, following the shift in responsibility. As part of this transition, the applications are now to be submitted to BRS through **E-Citizen portal,** offering a more accessible and streamlined process for trust registration.

Types of Trusts Eligible for Registration

The E-Citizen portal accommodates the registration of the following types of trusts:

1. Family Trust

A trust, whether living or testamentary, partially charitable or non-charitable, that is established by one or more individuals, either jointly or individually, for the purpose of planning or managing their personal estate.

2. Charitable Trust

A trust created exclusively for the relief of poverty, the advancement of education, religion, or human rights and fundamental freedoms, the protection of the environment, or any other purpose beneficial to the public.

3. Non-charitable Trust

A trust created for a specific purpose, whether partially charitable or not, provided that the purpose or objects of the trust are not illegal.

Additionally, the BRS has provided a comprehensive list of the requirements for the registration and incorporation of trusts. Applications may be submitted by the Settlor, Trustee, Enforcer, or an Advocate.

Our Comment

Previously, the trusts were only required to submit their financial statements.

We expect there to be formal reporting from 2025 once the compliance regulations are issued. The registrar of BRS is in the process of developing regulations for Trusts to comply with, including filing of annual returns.

Advancing International Financial Reporting Standards for Non-Profit Organisations (NPOs)

The financial reporting landscape for non-profit organisations (NPOs) is set for significant transformations; through the International Financial Reporting for NPOs (IFR4NPO) Initiative. The Initiative aims to establish the first-ever global financial reporting guidelines tailored specifically for NPOs. This bulletin provides an analytical overview of the key changes, outlines anticipated public participation activities, and highlights expected developments in 2025.

Key Changes in Financial Reporting

A major milestone in the IFR4NPO framework is the upcoming publication of the International Non-Profit Accounting Guidance (INPAG), scheduled for release in the second half of 2025.

The INPAG is designed to provide a comprehensive global standard for NPO financial reporting, enhancing consistency, accountability, and transparency across the sector.

Its objective is to address the unique financial reporting needs of NPOs, including accounting for grant funding, financial statement presentation, and narrative reporting.

Exposure Drafts and Stakeholder Feedback

As of February 2025, the IFR4NPO initiative has released three Exposure Drafts of INPAG:

1. Exposure Draft 1: Issued on 21 November 2022, it focused on the overarching framework for NPO financial reporting, including the description of NPOs, the reporting entity, and the concepts and pervasive principles underpinning financial reporting. The public comment period concluded on 31 March 2023.
2. Exposure Draft 2: Released in September 2023, it addressed key sector-specific accounting issues such as revenue from grants and donations, grant expenses, inventories, and foreign currency translation. Stakeholders were invited to submit comments until 15 March 2024.
3. Exposure Draft 3: Published on 28 May 2024, it aimed to address issues such as fund accounting, classification of expenses (including support costs and fundraising costs), and other topics relevant to NPO financial reporting. The consultation period for this draft ended on 16 September 2024.

The IFR4NPO Initiative has actively sought feedback from a diverse range of stakeholders, including NPOs, donors, regulators, and accounting professionals. The responses have been instrumental in refining the guidance to ensure it meets the unique needs of the non-profit sector. This feedback has been invaluable in shaping the development of INPAG, ensuring that the final guidance, expected to be published in the second half of 2025, will be robust, comprehensive, and widely applicable across the global non-profit sector.

Planned Public Participation Activities in 2025

Public participation is crucial in the IFR4NPO Initiative, allowing stakeholders to provide insights and feedback on the proposed standards. Key events scheduled for 2025 include:

1. Technical Advisory Group Meetings (21 January, 25 February, and 25 March 2025). These sessions focus on refining the technical aspects of the INPAG and integrating stakeholder feedback.
2. Practitioner Advisory Group Meetings (6 February 2025): Conducted online, these meetings provided practitioners with a platform to share their experiences and insights on financial reporting challenges.
3. Focus Groups and Webinars: Throughout the year, various sessions will be held to discuss key aspects of INPAG, including narrative reporting, fund accounting, and compliance issues.

These activities are designed to foster a collaborative environment, ensuring that a diverse range of perspectives contribute to the development of a robust and effective financial reporting framework for NPOs.

Key Highlights on Financial Reporting Expected in 2025

The year 2025 marks a pivotal moment for NPO financial reporting, with significant advancements in standardisation and transparency. Key highlights include:

1. Publication of the INPAG – This milestone will provide NPOs with a unified global financial reporting standard, promoting best practices and consistency across jurisdictions.
2. Enhanced Transparency and Accountability – The adoption of the INPAG will enable NPOs to deliver high-quality, standardized financial information, strengthening trust among donors, beneficiaries, and stakeholders.
3. Streamlined Reporting Processes – With the introduction of the INPAG, reporting requirements will be simplified, making compliance more efficient.
4. Increased Stakeholder Engagement – The structured public participation activities will ensure that the voices of NPOs, donors, and other stakeholders are reflected in the evolving financial reporting framework.

Key Highlights on Financial Reporting Expected in 2025

In 2025, NPOs in Kenya are expected to experience a dynamic tax environment shaped by recent legislative changes. Key compliance requirements for NPOs include the requirement to register as Public Benefit Organizations (PBOs) under the PBO Act, which became effective on May 14, 2024. NPOs previously registered under the NGO Coordination Act (NGO Act) have until May 2025 to transition. The full implementation of the PBO framework in 2025 is expected to limit tax benefits for NPOs that fail to register as PBOs. Additionally, regulations governing tax exemptions under the PBO Act are anticipated to be released by the PBO Board.

Further, Kenya Revenue Authority (KRA) is expected to increase scrutiny of NPO operations in 2025 following the implementation of the Income Tax (Charitable Organizations and Donations Exemption) Rules, 2024, which took effect in 18th June 2024. NPOs must demonstrate that they exist solely for charitable purposes in either relieving poverty, advancing education, relieving public distress, or promoting religion.

Key ESG and Sustainability considerations in 2025 and beyond for the NPO Sector

The NPOs play a crucial role in addressing global challenges, and Environmental, Social, and Governance (ESG) factors are increasingly vital to their operations, for securing funding, improving stakeholder trust, and ensuring long-term sustainability. The upcoming INPAG is likely to influence how ESG metrics are embedded in financial reports. This means that NPOs must prepare for integrated reporting, combining financial performance with social and environmental impact disclosures.

To stay ahead in 2025 and beyond, NPOs should:

1. Adopt standardized ESG reporting aligned with global and regional frameworks. Some NPOs will need to comply with jurisdiction-specific ESG regulations based on their size, location, and sector focus.
2. Secure sustainable funding by diversifying revenue streams beyond traditional grants—leveraging impact investing, ESG-aligned funding, and innovative financing models to meet donor expectations.
3. Engage donors and stakeholders with data-driven sustainability narratives and foster deeper stakeholder collaboration by integrating their feedback into decision-making and program design.
4. Leverage digital tools such as Artificial Intelligence, blockchain, data analytics systems to collect and track ESG performance and measure impact.
5. Embed ESG into governance and operations by strengthening risk management, ethical leadership, and climate adaptation strategies to enhance resilience and long-term sustainability.

For NPOs, ESG and sustainability are not just compliance measures—they are strategic imperatives for long-term impact. Organizations that proactively integrate ESG principles will gain greater donor trust, regulatory compliance, and funding opportunities in an evolving financial landscape.

PKF

Contact Persons:

Mike Kimundu

Partner

mkimundu@ke.pkfea.com

Victor Kibe

Manager - Project Audit

vkibe@ke.pkfea.com

Brian Githaiga

Assistant Manager - Corporate Services

bgithaiga@ke.esr-ea.com

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Kenya

Nairobi

Kalamu House, Grevillea Grove Off Brookside Drive
P. O. Box 14077 - 00800 Nairobi
Tel: (+254)207 766400
Cell: (+254) 732 144000
E-mail: pkfnbi@ke.pkfea.com

Mombasa

1st Floor, Pereira Building
Pramukh Swami Maharaj Road
P. O. Box 90553 - 80100 Mombasa
Tel: (+254 41) 2226422/3 (+254 41) 2315846/97
Cell: (+254) 724 563668
E-mail: pkfmsa@ke.pkfea.com

Malindi

Malindi Complex Lamu Road
P. O. Box 5572 - 80200 Malindi
Tel: (+254 42) 2120701 (+254 42) 2130862
Cell: (+254) 722 209620
E-mail: pkfmld@ke.pkfea.com

Nakuru

Fourth floor, Office Block Westside Mall, Junction of Kenyatta Avenue and West Road P. O. Box 1236 - 20100 Nakuru Tel: (+254 51) 2211906
Cell: (+254) 796 015656 E-mail: pkfnku@ke.pkfea.com

Uganda

Kampala

Kampala Kalamu House Plot 1B Kira Road
P. O. Box 24544 Kampala
Tel: (+256 312) 305800
E-mail: pkfkam@ug.pkfea.com

Tanzania

Dar es Salaam

Dar es Salaam 1st Floor, Tower B Girl Guides Building, Plot No. 1088 Kibasila Street, Upanga
P. O. Box 7323 Dar es Salaam
Tel: (+255 22) 2152501/3/4
Cell: (+255) 784 520097
E-mail: info@tz.pkfea.com

Rwanda

Kigali

KG 5 Avenue 44, Kacyiru P. O. Box 341 Kigali
Tel: (+250) 255 104514
Cell: (+250) 788 454746 (+250) 788 386565 (+250) 738 386565
E-mail: pkfkgl@rw.pkfea.com

South Sudan

PKF South Sudan

C/O PKF Kenya LLP Kalamu House, Grevillea Grove, Westlands
P O. Box 14077, 00800 Nairobi, Kenya
Tel: (+254) 732 144000
Email: pkfnbi@ke.pkfea.com