



Finance Bill 2025 – Kenya at a glance

Note that this is a summary of the key proposed tax changes in the draft Finance Bill, 2025. We will issue a detailed analysis in due course.

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Proposed Direct Tax Changes (1 of 2)



Definition of Royalty expanded

The Bill proposes to expand the definition of royalty to include distribution of software where regular payments are made for the use of the software through the distributor.



Removal of SEPT threshold

Proposal to remove the minimum threshold of KES 5 million annual turnover beyond which a non-resident person triggers Significant economic Presence Tax ("SEPT").



Per diem threshold increase

Tax free cash benefit for employees as payment in respect of a period spent outside their usual place of work while on official duties, to be increased from KES 2,000 to KES 10,000 per day.



Minimum top up tax timeline

The Bill proposes that minimum top-up tax be payable by the end of the fourth month after the end of the year of income.



Limitation of carryover of tax losses

The Bill proposes to limit carryover of tax losses to five years.



Introduction of Advance pricing agreements

Proposal to allow the Commissioner of the Kenya Revenue Authority to enter into Advance Pricing Agreements ("APAs") in respect of transactions that fall in the ambit of transfer pricing rules.

Proposed Direct Tax Changes (2 of 2)



Requirement for all MNEs to file CbCR

The Bill proposes to delete the provision that currently exempts Multinational enterprises ("MNEs") from CbCR filing requirements.



Repeal of investment deductions

The Bill proposes to delete the 100% and 150% investment deduction rates for investments exceeding KES 1 Billion outside Nairobi City County and Mombasa County.



Reduced CIT for entities certified by NIFCA

Corporate income tax ("CIT") rate for companies certified by the Nairobi International Financial Centre Authority ("NIFCA") to be 15% for the first 10 years and 20% for the subsequent 10 years subject to other conditions set out in the Bill. The Bill also proposes a reduced CIT rate of 15% for the first 3 years and 20% for the succeeding 4 years for start-ups certified by NIFCA.



Provision on tax rate applicable on fringe benefit

The Bill clarifies that the corporate tax rate of the entity applies to fringe benefit tax.



Repeal of the reduced CIT rate for housing developers & Motor assemblers

The Bill proposes to repeal the 15% CIT rate for companies whose business is local assembling of motor vehicles and companies that construct at least one hundred residential units annually.



Reduced tax rate for Digital Asset Tax

The Bill proposes to reduce the tax rate of Digital Asset Tax ("DAT") on digital assets from 3% to 1.5%.

Proposed Indirect Tax Changes (VAT)



VAT refunds

The Bill proposes to reduce the timeline to lodge Value Added Tax ("VAT") refunds from 24 months to 12 months. It further proposes to amend the threshold for lodging VAT refund on bad debts from 3 to 2 years on any outstanding amount from the date of supply.



Exempt products will be taxable at 16%

Proposed products include instruments and appliances for aircraft, locally assembled motor vehicles for transportation of tourists and inputs for the manufacture of passenger motor vehicles.



Removal of items from the zero rating to the exempt schedule

Proposed products include locally assembled and manufactured mobile phones, electric bicycles, inputs for manufacture of animal feeds, solar and lithium-ion batteries.



Proposed Indirect Tax Changes (Excise Duty)



Excisable services by non-resident suppliers

The Bill proposes to clarify on the scope of services and persons covered by introducing definitions of non-resident person, digital marketplace and clarifications on the place of supply.



Digital Lender definition amendment

The Bill proposes to amend the definition of a digital lender to read a person extending credit through an electronic medium but does not include a bank licenced under the Banking Act, a Sacco society registered under the Co-operative Societies Act or a microfinance institution licensed under the Microfinance Act.



Excise licence decision within 14 days

The Bill proposes that the Commissioner to issue a licence application decision within 14 days of receipt of the required documents.



Goods classification in line with EACCMA Protocol

The Bill proposes classification of goods by reference to the tariff codes set out in Annex 1 to the Protocol on establishment of the EAC Customs Union.



Excise duty on spirits

The Bill proposes to impose excise at Kes 500 per litre on spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spiritous beverages.

Proposed Indirect Tax Changes(Miscellaneous Fees and Levies)



Reduced IDF/RDL exemptions

The Bill proposes an exemption from Import Declaration Fees and Railway Development Levy for all aircraft and spacecraft parts as well as larger aircraft (> 2000 kg). Helicopters and smaller aircraft will no longer enjoy these exemptions.



Reduced EIPL

Proposal for Export and Investment Promotion Levy to apply at a reduced rate of 5% (from the current 17.5%) on importation of iron and steel products of tariff no.s **7207.11.00, 7213.91.10 and 7213.91.90.**



Proposed General Tax Administrative Changes



Reasons for amended assessments

Proposal for Commissioner to provide reasons where an amended assessment is issued.



Repeal of offset of overpaid tax against input VAT

The Bill proposes to repeal the provision providing for offset of overpaid tax against future input VAT.



Withholding tax penalties

The Bill proposes to exclude the penalty for failure to withhold tax where the recipient of the payment has paid and accounted for the full principal tax and the tax not deducted.



Extension of refund decision timelines

Proposal to extend the time the Commissioner has to determine a refund application from 90 to 120 days, and for applications subjected to audit, from 120 to 180 days.



Extension of agency notices to non-residents

Proposal for the Commissioner to have powers to issue agency notices to non-residents subject to tax in Kenya where there is tax owed.



Increased access to taxpayer data

Proposal to remove the limitation preventing the Commissioner from demanding that a taxpayer integrate or share data concerning trade secrets or personal information.

Proposed General Tax Administrative Changes



Computation of Time

The Bill also proposes to remove the provision excluding weekends and public holidays from the computation of time in lodging objections and appeals.



Waiver of Penalties arising from iTax Errors

Proposals to allow the Cabinet Secretary to waive any penalty or interest imposed where the penalty or interest arose from an error, delay or malfunction of iTax or incorrect registration of the tax obligations of a taxpayer.



Contacts

**For further information on the Finance Bill, 2025
please contact any of the people listed herein or
your usual PwC contact**

Titus Mukora

Partner/Director
titus.mukora@pwc.com

Job Kabochi

Partner/Director
job.kabochi@pwc.com

Edna Gitachu

Associate Director
edna.gitachu@pwc.com

Nicholas Kahiro

Associate Director
nicholas.x.kahiro@pwc.com

Maurice Mwaniki

Associate Director
maurice.mwaniki@pwc.com

Michael Wachinga

Senior Manager
michael.wachinga@pwc.com

Corazon Ongoro

Senior Manager
Corazon.Ongoro@pwc.com

Shreya Shah

Senior Manager
shreya.shah@pwc.com

Edward Paranta

Manager
edward.paranta@pwc.com

Thank you