



# Tax Alert

January 2026

## Year 4 NSSF Rates – Effective February 2026

### Background

Following our earlier tax alerts on the phased implementation of the National Social Security Fund (NSSF) Act No. 45 of 2013 ([2024 alert](#)) and ([2025 Alert](#)), this update highlights the upcoming transition into Year 4, effective 1 February 2026. The Act, which took effect in February 2023, introduced a multi-year increase of pension contribution limits tied to the Lower Earnings Limit (LEL) and Upper Earnings Limit (UEL).

The 2026 adjustments mark the final year of the initial four-year transition schedule, after which contribution changes will be determined through Gazette Notices issued by the Cabinet Secretary for Labour and Social Protection.

### The Four-Year Progression at a Glance

In Year 4, the LEL rises to KES 9,000, while the UEL increases to KES 108,000.

Year	Lower Earning Limit (KES)	Upper Earnings Limit (KES)	Effective Date
1	6,000	50% of the monthly National Average Earnings	February 2023
2	7,000	1 × the monthly National Average Earnings	February 2024
3	8,000	2 × the monthly National Average Earnings	February 2025
4	9,000	3 × the monthly National Average Earnings	February 2026
5	Amount prescribed by Cabinet Secretary	4 × the monthly National Average Earnings	



The contributions up to the LEL will be credited to NSSF Tier I account while the contributions above the LEL up to the UEL will be credited to the Tier II account as illustrated below;

<b>Lower Limit (Tier 1) – KES 9,000</b>	
Employee contribution (6%)	540
Employer contribution (6%)	540
<b>Tier I NSSF Contribution</b>	<b>1,080</b>

<b>Upper Limit (Tier 2) – KES 108,000 – 6% of (UEL – LEL)</b>	
KES 108,000 – KES 9,000 = KES 99,000	
Employee contribution (6%)	5,940
Employer contribution (6%)	5,940
Tier II NSSF Contribution	11,880
<b>Total Maximum mandatory NSSF contribution</b>	<b>12,960</b>

### What These Changes Mean for Employers

The upcoming adjustment to the LEL and UEL means employers will need to reconfigure their payroll systems to ensure that pension contributions are calculated using the updated thresholds. These changes will naturally increase the employer's share of monthly pension contributions, which should be factored into employment cost projections for the upcoming period.

Accurate and up-to-date records of pensionable pay, contributions, and remittances will continue to be essential for compliance and audit readiness.

Employers who prefer to channel Tier II contributions to a private pension scheme may still do so, provided the scheme is registered with the Retirement Benefits Authority (RBA) and meets the statutory requirements. The RBA must be notified in writing at least 60 days before the intended transition to a contracted-out arrangement.

### What These Changes Mean for Employees

Employees' mandatory contributions will rise under the new limits, which will boost their long-term retirement savings. However, this adjustment will also result in a corresponding reduction in monthly take-home pay. On the upside, the higher contributions fall within the tax-deductible pension bracket, and employees can benefit from the current tax relief applicable to pension contributions of up to KES 30,000 per month.

### Beyond Year 4 – Gazette Driven Framework

With the introduction of the Year 4 thresholds, the phased transition originally set out under the NSSF Act comes to an end. The LEL will have risen from KES 6,000 at commencement to KES 9,000, while the UEL will have increased to KES 108,000.

From Year 5 onwards, any adjustments to contribution limits

will no longer follow the predefined schedule. Instead, future changes will be implemented through Gazette Notices issued by the Cabinet Secretary for Labour and Social Protection.

With this shift to a notice-led regime, it will be important for both employers and employees to stay alert to updates published in the Gazette and to communications from the NSSF and RBA to ensure continued compliance.

### **Key Takeaways**

- The year 4 parameters take effect on **1 February 2026**.
- The **LEL rises to KES 9,000**, while the **UEL is set at KES 108,000**.
- Overall contributions remain at **12% of pensionable earnings**, split equally between employer and employee.
- Employers should use this phase as a key compliance checkpoint and ensure payroll systems and cost projections reflect the new thresholds.
- Employees will accumulate higher retirement savings, although this comes with a corresponding reduction in monthly disposable income.
- From year 5, contribution bands will no longer follow a phased schedule; future adjustments will be communicated through Gazette Notices.





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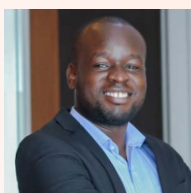
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