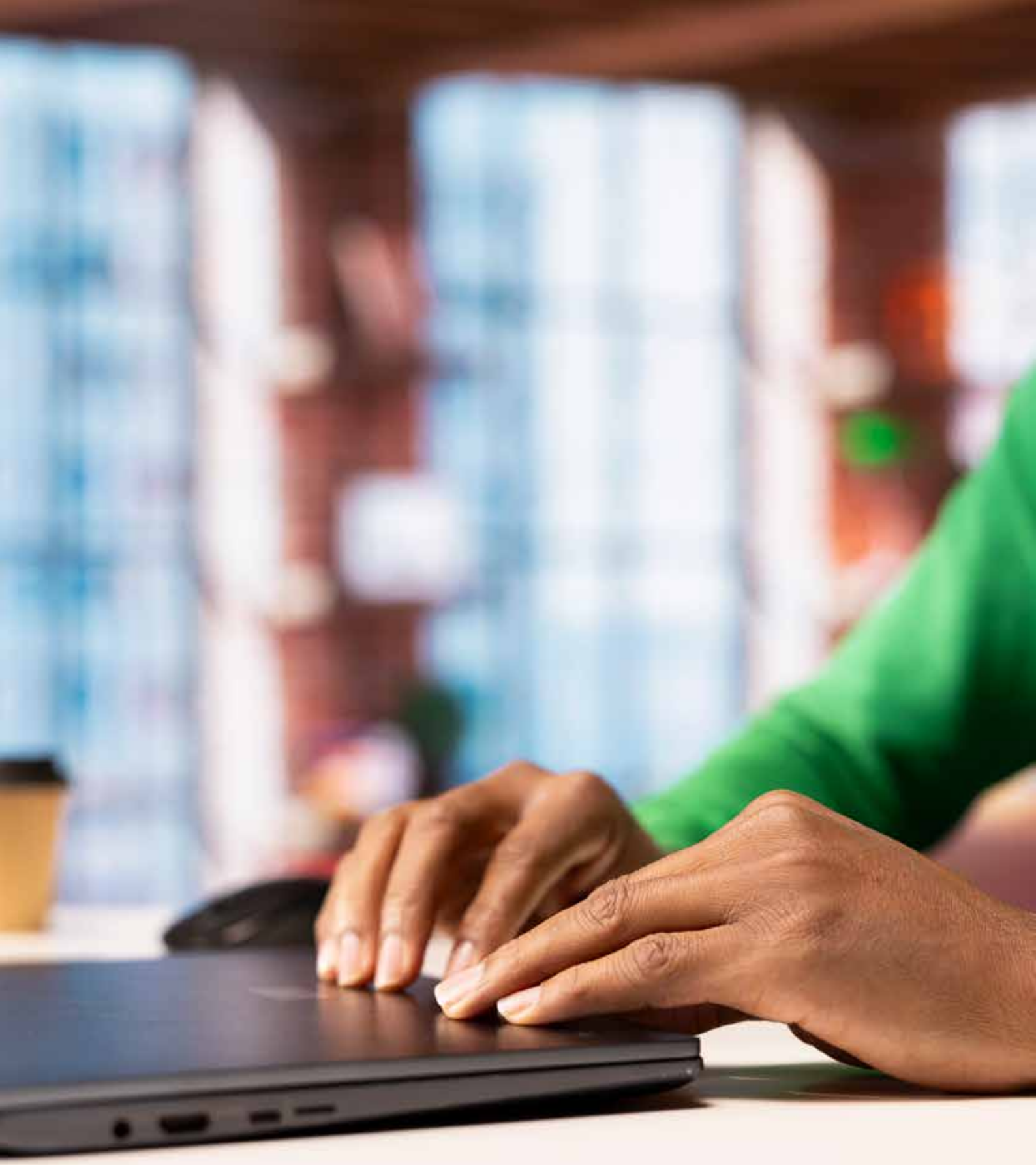
Total Tax Contribution Report 2025

KENYA BANKERS ASSOCIATION



Over the period 2018 to 2025, the banking sector's capital base has strengthened consistently year on year, leading to higher profitability and a greater scale of transactions, which in turn has resulted in a higher Total Tax Contribution.

Total Tax Contribution Report for 2025

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Glossary

Term	Definition	Term	Definition
Total Taxes Collected	Taxes that the company administers on behalf of government and collects from other taxpayers as an agent of government	Corporate Tax (CT)	A tax imposed on a company's taxable profits
Participating Banks	31 banks and 2 microfinance institutions that participated in this study	Banking Sector	KRA defines the banking sector to include Listed banks (44); SACCOs (16); Microfinance (7); Investment/Custodian banks (38); Others (47)-i.e., Bureaus, International Bank Corporations with Local Offices
Total Taxes Borne	The total cash taxes paid directly by a company and borne as a cost of doing business	Irrecoverable VAT	VAT that a taxpayer incurs but is not offset against output VAT
Total Tax Contribution	The sum of cash taxes borne and cash taxes collected	Excise Duty	A tax charged on specified financial services, including money transfer services and certain fees, commissions and charges levied by licensed financial institutions in the course of their regulated activities.
Value distributed	Payment made by a corporate entity to its key stakeholders: government, employees, and shareholders	Withholding taxes	An income tax withheld on certain kinds of qualifying payments such as management and professional fees, royalties, and interest.

Term	Definition	Term	Definition
Net assets	Total assets minus total liabilities	Withholding Tax Borne	Withholding tax incurred by the company making qualifying payments that it does not pass on to the supplier.
KRA	The Kenya Revenue Authority	Pay as You Earn (PAYE)	A tax withheld from the employment income of the company's employees
KBA	The Kenya Bankers Association	VAT on imported Services	This is the VAT accounted for on imported services
People Taxes Collected	The employment-related taxes and statutory deductions that a company collects from employees on behalf of the government. These are PAYE, employee Affordable Housing Levy, SHIF, and employee NSSF.	Withholding VAT	The portion of VAT on taxable supplies that is withheld at source by appointed withholding VAT agents and remitted directly to the tax authority on behalf of the supplier.
Total government receipts	This is a summation of all taxes collected by the government as reported by KRA, excluding agency collections.	People Taxes Borne	The employment-related taxes and statutory contributions that a company directly bears as part of the cost of employing its workforce. These are Fringe Benefits Tax, Employer Affordable Housing Levy, and Employer NSSF.

Foreword

WE ARE PLEASED TO present the seventh edition of the Total Tax Contribution study of Kenya's banking sector, covering the financial year ended 31 December 2025. This report provides a broader view of the sector's contribution to Kenya's public finances by considering not only the taxes borne directly by banks, but also the taxes they collect and administer on behalf of the Government.

KEY HIGHLIGHTS

+5.53%

Contribution Growth

KES 194.81 billion in (2024) KES 205.58 billion In (2025)

Government receipts

8% of total government receipts

Corporate Tax Share

22.15% of total government Corporate Tax receipts

Participating Banks

33 Banks
96.9% by net assets

In 2025, the 33 participating banks made a Total Tax Contribution of KES 205.58 billion, comprising KES 98.36 billion in taxes borne and KES 107.22 billion in taxes collected. This represented an increase of 5.53% from KES 194.81 billion in 2024 and marked the first time that the sector's contribution exceeded KES 200 billion. The participating banks represented an estimated 96.9% of the sector by net assets, providing a strong basis for assessing the banking industry's overall tax contribution.

The 2025 contribution was equivalent to 8% of total government receipts. This remains a significant share considering that it was generated by 33 participating banks. The sector also accounted for 22.15% of all Corporate Tax collected by the Government of Kenya, further demonstrating the important role that banks continue to play in supporting domestic revenue mobilisation and the financing of public services.

The composition of the sector's contribution continues to evolve. Taxes collected increased by 13.24% to KES 107.22 billion and exceeded taxes borne for the first time in the history of the study. This shift was led by a 29.40% increase in Withholding Tax Collected, which became the second-largest component of the sector's Total Tax Contribution, surpassing Corporate Tax. People Taxes Collected also increased by 6.40%, reflecting the full-year impact of the Affordable Housing Levy and the Social Health Insurance Fund, together with higher National Social Security Fund contributions.

Taking a longer-term view over the period 2018 to 2025, the sector's annual Total Tax Contribution increased from KES 99 billion in 2018 to KES 205.58 billion in 2025. This growth has been underpinned by the strengthening of the sector's capital base, which has provided the financial capacity necessary to support expansion in net assets, customer deposits and profitability. Between 2018 and 2025, total capital increased from KES 685.90 billion to KES 1.26 trillion, representing growth of 83.52%. This stronger capital position supported a significant expansion of the sector's balance sheet, with total net assets increasing by 89.42% from KES 4.41 trillion to KES 8.35 trillion, while customer deposits grew by 87.73% from KES 3.26 trillion to KES 6.12 trillion.

The sector's transition to a higher Total Tax Contribution baseline is therefore underpinned by a strengthening capital base, which enhanced the sector's capacity to absorb risk, support balance-sheet expansion and mobilise customer deposits. This, together with sustained growth in profitability, enabled the sector to operate at a larger scale and make a correspondingly higher contribution to government revenues.

The Total Tax Contribution has been delivered within an increasingly demanding tax compliance environment. In 2025, banks made an average of 45 tax payments each month and devoted approximately 103 business hours per month to tax compliance activities. The estimated annual compliance cost per participating bank increased by approximately 62.25%, from KES 19.10 million in 2024 to KES 30.99 million in 2025, driven principally by increased cost of external consultants such as tax advisors and advocates. These findings point to the need for continued collaboration between policymakers, revenue authorities and taxpayers to simplify reporting obligations, improve the functionality and integration of digital tax platforms, and create a more predictable tax environment.

Tax transparency is increasingly recognised as an important element of good corporate governance. By publishing this report, the banking sector provides stakeholders with a clearer understanding of the breadth of its Total Tax Contribution – which is far beyond Corporate Tax. Further, this publication supports a more informed dialogue on tax policy interventions required for the sector as well as sustainable revenue mobilisation.

We thank the 33 participating banks for their continued commitment to this study. We also recognise the Kenya Bankers Association and the Kenya Revenue Authority for their collaboration and contribution to the process. We trust that the findings will support constructive engagement on how Kenya can protect its revenue base while fostering a tax system that is efficient, predictable and supportive of sustainable economic growth.

Raimond Molenje
CEO, Kenya Bankers Association

Alice Muriithi
Partner, PwC Kenya
Tax and Legal Services

Summary of 2025 Total Tax Contribution

Survey participation

- **33 participants** provided data for the study in 2025 compared to 36 in 2024. The 33 respondents in 2025 represent **96.9%** of the sector by net assets.
- **31 of the study participants** are commercial banks while 2 are microfinance institutions.

The Total Tax Contribution (TTC) of study participants increased by KES 10.77 billion in 2025 representing a 5.53% year-on-year increase.

The TTC of KES 205.58 billion consisted of:

- KES 98.36 billion of taxes borne; and
- KES 107.22 billion of taxes collected.

The TTC of KES 205.58 billion represents 8% of total government receipts.

33 commercial banks and two microfinance institutions contributed 1.80% of Kenya's 14.8% tax-to-GDP ratio representing over 12.18% of total tax revenue. The results demonstrate the significant contribution made by a relatively small number of large institutional taxpayers to Kenya's tax base.

96.9%
Sector Participation

8%
Of Total Government Receipts

Total Tax Contribution of
KES 205.58

KES 107.22
Of Taxes Collected

KES 98.36
Of Taxes Borne

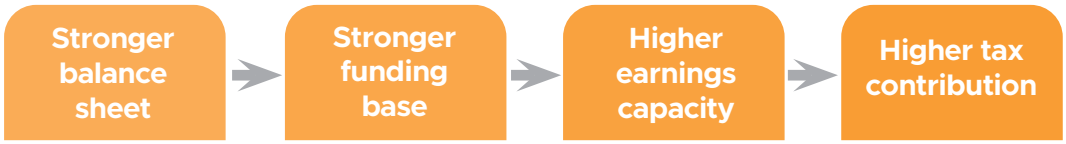
10.77
Billion

Total Tax Contribution increased by KES 10.77 billion (5.53%) in 2025

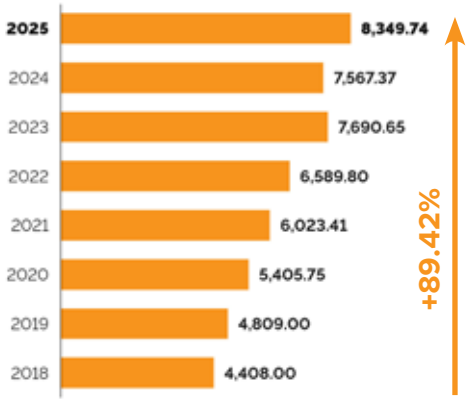
Government's financial year runs from July to June while banks' run from January to December. Both periods run for 12 months and therefore the statistics are considered comparable.

According to the 2025 Budget Policy Statement, Kenya's tax revenue to GDP ratio in 2024/2025 is projected to be 14.8%. https://www.treasury.go.ke/sites/default/files/2025%20Budget%20Policy%20Statement...pdf

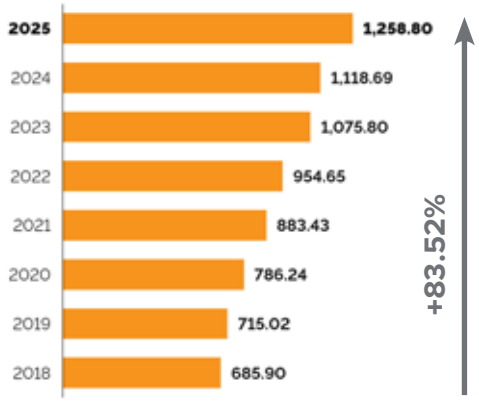
TTC more than doubled **between 2018 and 2025,** indicating that the growth is much more than post-pandemic recovery and is anchored on sector's strong balance sheet growth



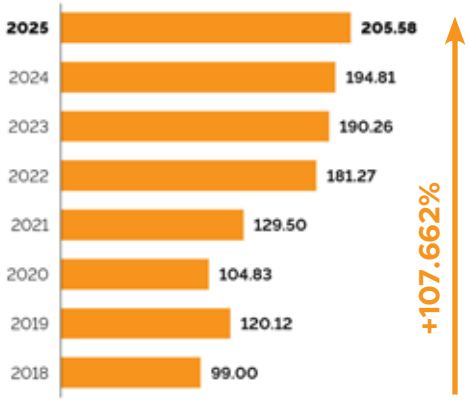
Total assets movement (2018-2025 in KES Billion)



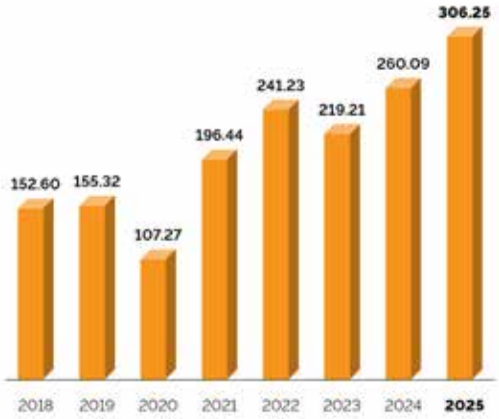
Movement in Total Capital (2018 -2025 KES Billion)



TTC Movement (2018-2025 in KES Billion)



PBT Movement (2018-2025 KES Billion)



Important note: This analysis is based on the Central Bank of Kenya's Bank Supervision Annual Reports for the period 2018 to 2025.[4]

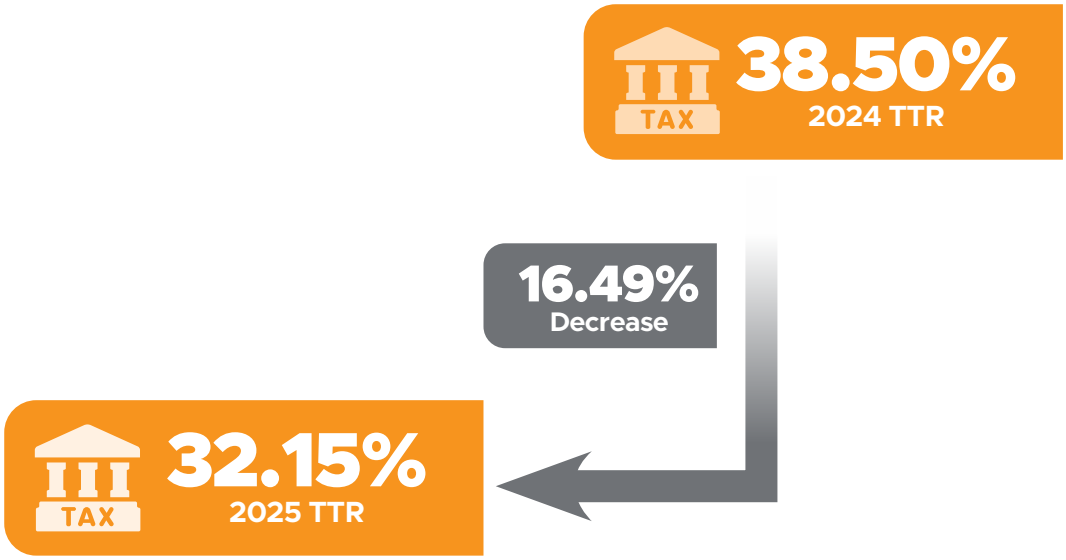
[4]https://www.centralbank.go.ke/reports/bank-supervision-and-banking-sector-reports/

The Total Tax Rate (TTR) for the study participants decreased in 2025

The TTR is computed by dividing the taxes borne by study participants by their Profit Before Tax (PBT). The taxes borne mainly comprise Corporate Tax and Irrecoverable VAT.

TTR decreased by 16.49% from 38.50% in 2024 to 32.15% in 2025. This means that for every KES 100 of profit by the participating banks, KES 32.15 was paid to the government as taxes.

The 16.49% decline was driven primarily by an increase in PBT accompanied by a decline in Total Taxes Borne as a result of a modest growth in Corporate Tax and a 10.64% decrease in Irrecoverable VAT.



Value distributed by the study participants

Every corporate organisation has three key stakeholders that it needs to distribute value to: the government in the form of taxes, employees in the form of salaries and shareholders in form of dividends.

The government received the largest proportion of the value distribution by the participating banks in 2025 at 51.11 %, consisting of both taxes borne and taxes collected.

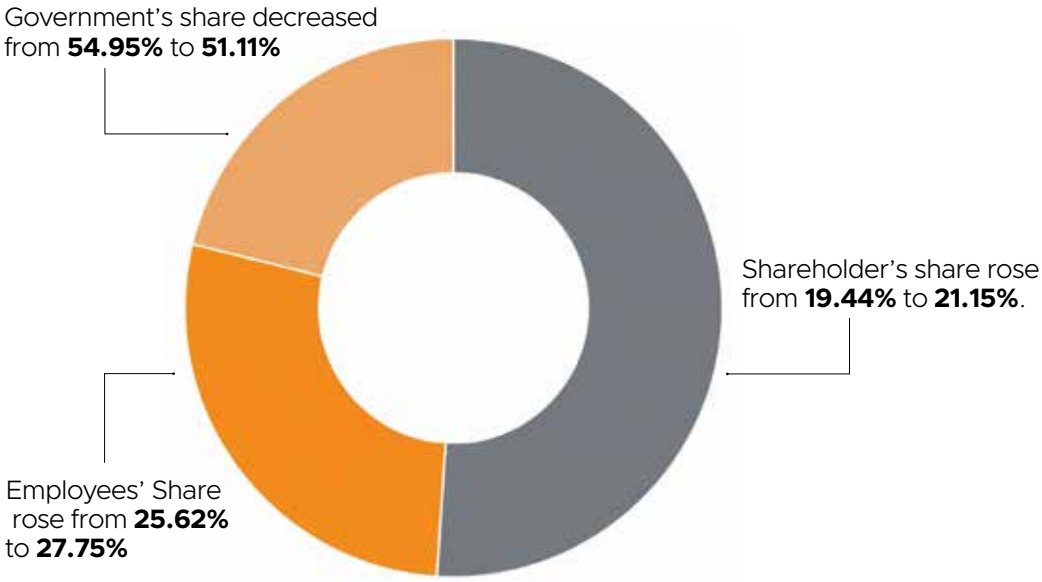
Employees received the second largest portion of value distributed at 27.75%.

The remainder of the share was taken by shareholders at 21.15%.

Between 2024 and 2025, the total value distributed by participating banks increased by 13.46%, rising from KES 354.54 billion to KES 402.26 billion.

However, the proportional allocation shifted - the government's share decreased from 54.95% to 51.11%, employees' share rose from 25.62% to 27.75%, while shareholders saw an increase in dividends from 19.44% to 21.15%.

Value Distributed to Stakeholders



Complexity and costs of tax compliance

The tax compliance burden increased materially in 2025. Participating banks dedicated an average of approximately three full-time employees and 103 business hours per month to tax compliance, while making an average of 45 tax payments each month.

Key highlights include:

- **Higher overall compliance costs –** The estimated annual tax compliance cost per bank increased by approximately 62.25%, from KES 19.10 million in 2024 to KES 30.99 million in 2025, demonstrating the growing financial burden associated with meeting tax obligations.
- **Growing reliance on external consultants –** While the cost of full-time tax compliance staff declined to KES 9.76 million per bank and expenditure on additional compliance staff fell to KES 1.02 million, the cost of external consultants such as tax advisors and advocates increased significantly to KES 20.22 million per bank.

Overall complexity of tax filing requirements rated at **3.19 out of 5**

- **Moderately complex compliance framework** – Banks rated the overall complexity of tax filing requirements at 3.19 out of 5, indicating that compliance remains moderately complex.
- **Five-day Withholding Tax cycle remains a key challenge** – Respondents continued to identify the five-day Withholding Tax filing and payment requirement as one of the most significant administrative burdens, requiring substantial resources dedicated to recurring compliance activities.
- **Technology and legislative changes increase operational pressure –** Frequent changes to tax legislation, coupled with reconciliation and implementation challenges associated with digital platforms such as iTax and eTIMS, continue to increase compliance complexity and operating costs.
- **Impact on governance and controls –** Despite the challenges, several participants noted that the heightened compliance requirements have contributed to stronger internal controls, improved tax governance processes and enhanced reporting accuracy.
- **Clear recommendations from the sector** – Participating banks continue to advocate for:
  - Revert to monthly Withholding Tax filing and payment cycles;
  - Greater automation of tax compliance processes, including pre-filled returns;
  - Enhanced stability, functionality and integration of iTax and eTIMS; and
  - A more stable and predictable tax legislative environment.

Purpose and outline of the study

Purpose of this study

The purpose of the study is to quantify the Total Tax Contribution of the Kenyan Banking Sector over time. The study shows that the contribution by banks is much broader than Corporate Tax, with People Taxes, Withholding Income Tax, irrecoverable Value Added Tax (irrecoverable VAT) and Excise Duty, all adding to the total.

The data for this report which covers the financial year ended 31 December 2025 was collected between April 2026 and July 2026.

Methodology

The study uses the TTC methodology designed by PwC. This framework provides a standardized methodology for companies to measure and quantify all the taxes and contributions that they pay. The framework has been used by firms across the PwC network to quantify the total tax contributions in markets, such as the UK, Germany, Tanzania and South Africa.

The TTC framework is straightforward in concept, not tax technical, cash-based and therefore relatively easy for stakeholders to understand. The framework makes a distinction between taxes borne by the company and taxes collected.

Taxes borne are the bank's own contribution in taxes that impact their results, e.g., Corporate Tax, irrecoverable VAT, VAT on imported services, Withholding Tax Borne and other taxes borne.

Taxes collected are those that the bank administers on behalf of the government and collects from others, e.g., income tax deducted under PAYE, Withholding VAT, Withholding Tax Collected, Excise Duty collected, and other taxes collected[6]. The taxes collected have an administrative cost for the bank as banks have to collect and remit the taxes to the government and also face significant penalties if this collection and remittance is not done in accordance with the law.

The results of this study provide information which would not otherwise be available in the public domain as this is not information companies are required to disclose in their financial reports.

Where we refer to data published by the Kenyan Government, the KRA and other sources, this is clearly indicated.

Data received related to payments to the Kenyan public finances. No tax payments to foreign tax authorities were included.

PwC has anonymised and aggregated this data to produce the study results. PwC has used the data as provided by KBA members and has not verified, validated, or audited the data and cannot give any undertakings as to the accuracy of the study results.

Participation in the study

This study covers 33 banks and microfinance institutions representing 96.9% by net assets[7] in 2025. All tier-one banks who control approximately 75% of the market share participated in both studies.

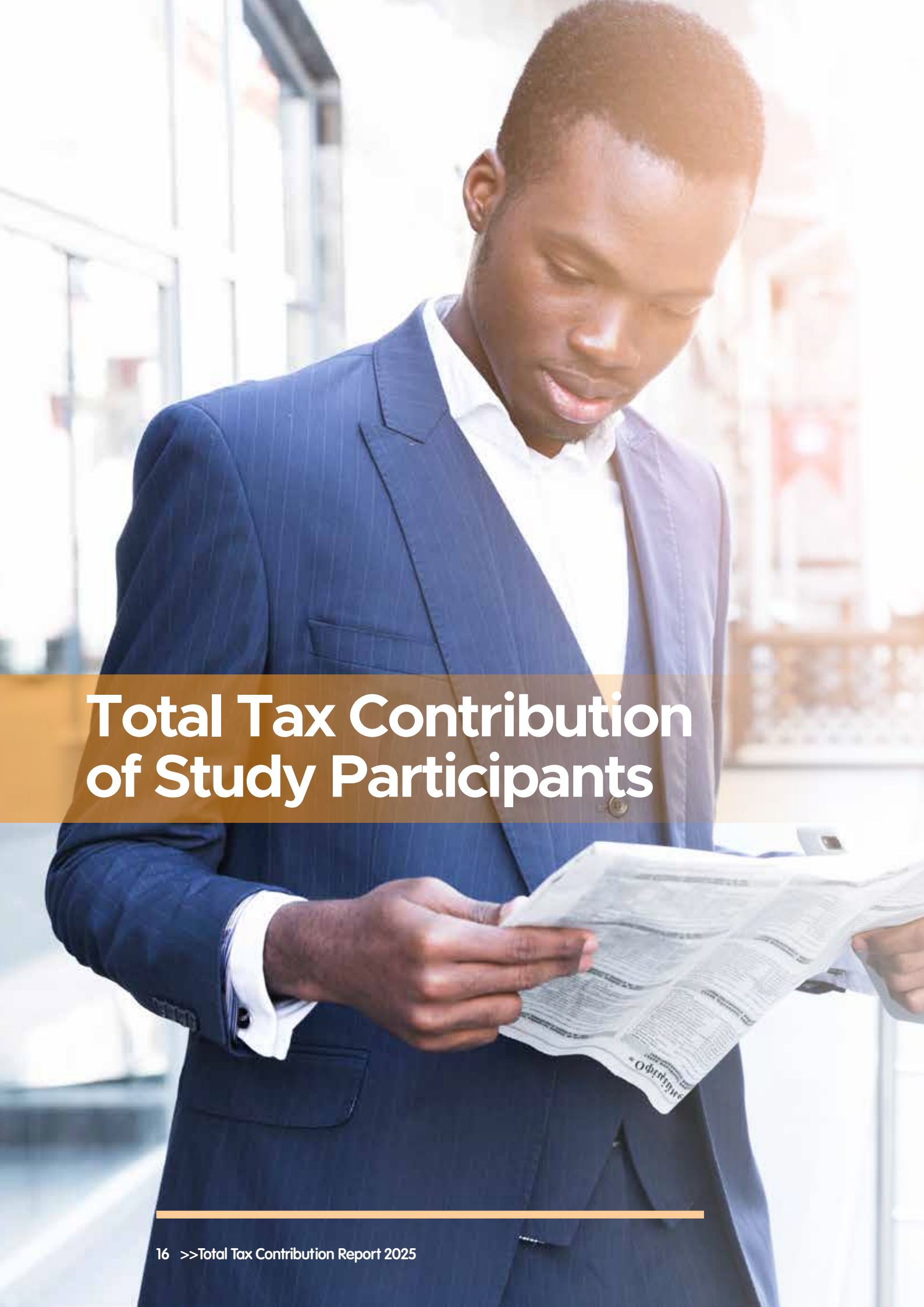
References in the report to the term 'participating banks' means the 33 banks and microfinance institutions that participated in the study while references to the 'banking sector' refers to the commercial banks, microfinance institutions and other financial institutions as defined by KRA.[8]

The results of this study provide information which would not otherwise be available in the public domain.

[6]Other taxes collected constitute: Stamp duty on negotiable instruments.

[7]Net assets for a bank comprise cash balances, placements, government securities, net loans and advances, investments, and other assets, less total liabilities such as customer deposits, borrowings, and other financial obligations. These components reflect the bank's financial strength and capacity to absorb shocks and lend.

[8]KRA defines the banking sector to include Listed banks (44); SACCOs (16); Microfinance (7); Investment/ Custodian banks (38); Others (47)-i.e., Bureaus, International Bank Corporations with Local Offices.



Total Tax Contribution of Study Participants

This section highlights the TTC profile of the 33 participating banks.

In 2025, the 33 participating banks reported taxes borne of KES 98.36 billion and taxes collected of KES 107.22 billion, making a TTC of KES 205.58 billion.

The banking sector's contribution to government receipts continues to be substantial. In 2025, the TTC of the participating banks accounted for 8% of all the taxes collected by the government[9]. This remains a significant contribution given that this contribution is made by 33 taxpayers against a background of approximately 9.87 million active taxpayers in the country[10].

Compared to 2024, Total Taxes Borne decreased from KES 100.12 billion in 2024 to KES 98.36 billion in 2025 representing a 1.77% reduction. On the other hand, Total Taxes Collected increased by 13.24% from KES 94.69 billion in 2024 to KES 107.22 billion in 2025.

Figure 4 – Study participants' contribution to total government receipts.

Description	2024 (KES billion)	2025 (KES billion)	Year-on-Year Growth
Total Taxes Borne	100.12	98.36	(1.77%)
Total Taxes Collected	94.69	107.22	13.24%
Total Tax Contributed	194.81	205.58	5.53%
Total government receipts	2,407[12]	2,571[13]	6.81%
% Of participating banks TTC relative to total government receipts[11]	8.09%	8%	(1.20%)

According to the 2025 Budget Policy Statement, Kenya's tax revenue to GDP ratio in 2024/2025 was projected to be 14.8%[14]. Of the 14.8%, 1.80% was contributed by the 33 taxpayers who participated in this study. This means that 12.18% of the tax to GDP is contributed by only 33 taxpayers.

While the participating banks' tax to GDP ratio remained steady at 1.80% in 2025 compared to 1.79% in 2024 while , the contribution to total government receipts in Kenya declined marginally by 1.20% in 2025 relative to 2024. This decline was a result of total government receipts growing at a slightly faster rate of 6.81% compared to TTC which grew by 5.53% in 2025 relative to 2024.

The growth in government receipts was mainly driven by Customs Revenue, Corporate Tax and Domestic VAT, which grew by 11.1%, 9.9% and 4.2%, respectively[15]. The banking sector has relatively limited exposure to Customs Revenue and Domestic VAT compared to sectors engaged in the supply of taxable goods and services or import-intensive activities. KRA attributed the growth in Domestic VAT collections to electronic invoicing and other compliance enhancement measures. As most banking services are VAT exempt, increases in

[9]Government's financial year runs from July to June while banks' run from January to December. Both periods run for 12 months and therefore the statistics are comparable.
[10] https://www.kra.go.ke/annual-revenue-performance-fy-2025-2026
[11]The government year runs from July to June while that of banks runs from January to December. Both calendars cover a 12-month period
[12]https://www.kra.go.ke/images/publications/ANNUAL-REVENUE-PERFORMANCE-FY-2023-2024.-080724.pdf
[13]https://www.kra.go.ke/news-center/press-release/2232-kra-grows-revenue-by-6-8-despite-tough-economic-environment
[14]https://ikesra.kra.go.ke/items/6c51cfa4-59b4-45e6-9b2f-f0a2672fcf09
[15]https://www.kra.go.ke/news-center/press-release/2232-kra-grows-revenue-by-6-8-despite-tough-economic-environment
[16]https://www.treasury.go.ke/sites/default/files/Final%202025%20Tax%20Expenditure%20Report.pdf

Domestic VAT collections may not translate proportionately into TTC growth. Consequently, the compliance gains realised through eTIMS and related enforcement initiatives are likely to have had a more limited impact on the banking sector than on the broader economy. This may partly explain why the sector's TTC increased by 5.53%, compared to overall growth in government tax receipts of 6.81%.

According to the OECD Corporate Tax Statistics 2025 report, Corporate Tax revenues accounted for 21.2% of total tax revenues in African jurisdictions and 21.3% in Asia-Pacific jurisdictions in 2022, compared to 12.0% in OECD countries. This indicates that developing economies are generally more reliant on taxes on corporate profits, whereas more advanced economies tend to derive a larger share of revenue from broad-based consumption taxes and other revenue sources. This broader trend is evident in Kenya, where Domestic VAT collections have continued to grow. Over time, these developments may contribute

This shift towards consumption taxes as economies mature is also evident in Kenya as Domestic VAT has been one of the highest growing taxes in the last five years.

Three of the top four contributors of Total Tax Contribution relate to taxes collected as opposed to taxes borne. This highlights the critical role that the banking sector plays not only as a government tax collection agent, but also in generating economic activity that leads to collection of the taxes through aspects such as payment of salaries and engagement with suppliers.

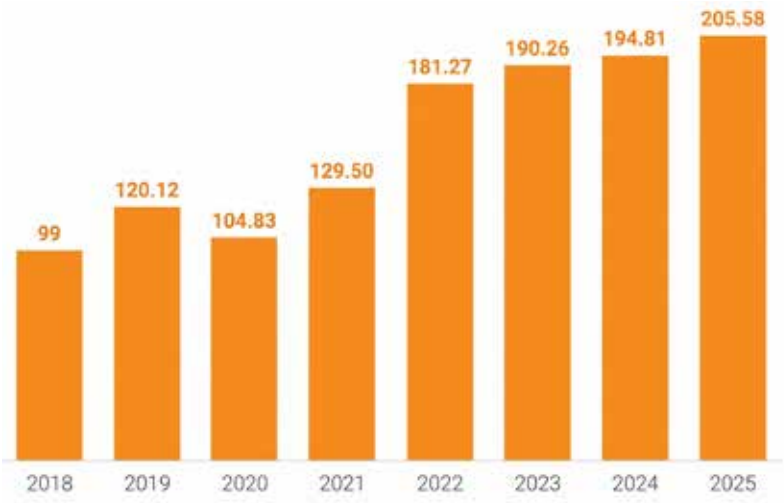
Figure 6 - The Total Tax Contribution profile for participating banks in 2024 relative to 2025

Description	2024 (KES billion)	2024 % make-up	2025 (KES (billion)	2025 % make-up
Corporate Tax borne	69.41	35.63	70.84	34.46
Withholding Tax Collected	33.97	17.43	43.95	21.38
People Taxes Collected	34.59	17.76	36.81	17.90
Excise Duty Collected	22.66	11.63	23.90	11.63
Irrecoverable VAT Borne	15.27	7.84	13.65	6.64
Withholding Tax Borne	5.97	3.07	5.35	2.60
People Taxes Borne	3.71	1.91	3.91	1.90
VAT on imported services borne	4.15	2.13	3.44	1.67
Withholding VAT Collected	2.51	1.29	1.71	0.83
Withholding VAT Borne	1.60	0.82	1.17	0.57
Others Collected	0.95	0.49	0.86	0.42
Total	**194.81**	**100**	**205.58**	**100**

Total Tax Contribution of participating banks over the period 2018 to 2025

A summary of the Total Tax Contribution of study participants over the period 2018 to 2025 is presented below

Figure 7 – Year on year Total Tax Contribution for the participating banks (2018 - 2025) (KES billion)



The Total Tax Contribution trend from 2018 to 2025

Between 2018 and 2025, the sector's TTC increased from KES 99 billion to KES 205.58 billion, more than doubling over the period. TTC decreased by 12.73%, from KES 120.12 billion in 2019 to KES 104.83 billion in 2020, due to the economic disruption caused by the COVID-19 pandemic.

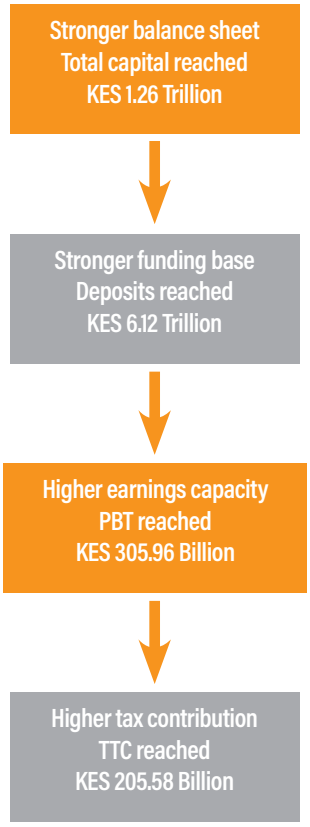
TTC recovered to KES 129.50 billion in 2021 before increasing sharply by 39.98% to KES 181.27 billion in 2022. Thereafter, it showed steady growth reaching KES 190.26 billion in 2023, KES 194.81 billion in 2024 and KES 205.58 billion in 2025.

Average annual TTC for the period from 2021 to 2025 was KES 180.28 billion, approximately 65% higher than the average of KES 109.56 billion recorded in 2018 and 2019. By 2025, TTC was 71.15% above its 2019 pre-Covid level and 107.66% higher than in 2018.

The performance of TTC closely mirrored a sustained strengthening of the banking sector's capital base.

In addition to sustained growth in retained earnings post-Covid, a number of banks attracted capital and capital-supporting financing from international investors, including development finance institutions such as the International Finance Corporation (IFC).

Between 2018 and 2025, total net assets increased by 89.42%, from KES 4.41 trillion to KES 8.35 trillion, while customer deposits grew by 87.73%, from KES 3.26 trillion to KES 6.12 trillion. Within the same period, total capital grew from KES 685.90 billion in 2018 to KES 1.26 trillion in 2025, representing a 83.52% growth. Sector profitability followed a similar pattern. Profit before tax averaged KES 155.96 billion in 2018 and 2019, fell to KES 107.27 billion in 2020 during the pandemic, and subsequently increased to an average of KES 244.59 billion between 2021 and 2025. Overall, the banking sector's profitability grew by 100.69%, from KES 152.60 billion in 2018 to KES 306.25 billion in 2025.



The alignment between these trends suggests that the higher TTC was driven by expansion of the sector's capital base, enhanced risk-absorption capacity and stronger earnings-generating capability. As banks mobilised more customer deposits, expanded their total capital, and generated higher profits, their contribution to government revenues also increased. The post-Covid period therefore represented not only a recovery in banking sector performance, but also a transition to a materially larger and more profitable industry with a correspondingly higher level of tax contribution.

> ***"The post-Covid period therefore represented not only a recovery in banking sector performance, but also a transition to a materially larger and more profitable industry."***

[18]https://www.centralbank.go.ke/reports/bank-supervision-and-banking-sector-reports/

Analysis of the Total Tax Contribution for 2025

Figure 8 – Total Tax Contribution of participating banks between 2019 and 2025 in KES billions

Description	Tax Borne/ Collected	2019	2020	2021	2022	2023	2024	2025
Corporate Tax	Tax Borne	51.20	43.73	49.48	87.71	73.05	69.41	70.84
Irrecoverable VAT	Tax Borne	9.85	9.32	7.81	8.28	15.08	15.27	13.65
Withholding Tax Borne	Tax Borne	2.69	2.36	2.43	2.96	5.35	5.97	5.35
VAT on imported services	Tax Borne	1.85	1.85	3.11	2.98	4.88	4.15	3.44
Withholding VAT Borne	Tax Borne	2.24	0.94	1.07	1.35	1.45	1.60	1.17
People Taxes Borne	Tax Borne	-	-	-	-	2.71	3.71	3.91
PAYE	Tax Collected	18.86	17.87	21.94	23	-	-	-
People Taxes Collected	Tax Collected	-	-	-	-	31.27	34.59	36.81
Withholding Tax Collected	Tax Collected	16.52	17.34	22.99	26.56	29.28	33.97	43.95
Total Excise	Tax Collected	13.60	8.32	14.30	22.90	23.81	22.66	23.90

The year 2025 marked a significant milestone, with the TTC of the participating banks exceeding KES 200 billion for the first time. TTC increased by 5.53%, rising to KES 205.58 billion from KES 194.81 billion in 2024.

The most significant contributor to this growth was a 29.40% increase in Withholding Tax Collected, which rose from KES 33.97 billion in 2024 to KES 43.95 billion in 2025. This growth was primarily driven by a 159% increase in Withholding Tax Collected on royalties following the expanded definition of 'royalty' under the Tax Laws (Amendment) Act, 2024, which took effect in December 2024. In addition, Withholding Tax Collected on professional fees increased by 292%, reflecting substantial investment by several banks in core banking system upgrades. Withholding Tax Collected on interest also grew by 8.17%, broadly consistent with the 9.9% growth in customer deposits.

People Taxes Collected increased by 6.40%, from KES 34.59 billion in 2024 to KES 36.81 billion in 2025. The increase reflects the full-year impact of the AHL and the SHIF, with collections under these categories increasing by 31.62% and 221%, respectively. NSSF contributions also grew

People Taxes Collected: Increase (2024-2025)

2024: KES 34.59 Billion collected

2025: KES 36.81 Billion collected

+6.40% percentage Increase. Total Increase **KES 2.22** Billion

by 126%, driven by the phased implementation of higher contribution rates that became effective in February 2025.

Corporate Tax borne increased modestly by 2.06%, from KES 69.41 billion in 2024 to KES 70.84 billion in 2025, reversing the 4.98% decline recorded in the prior year. This relatively modest growth in Corporate Tax, despite a 17.63% growth in profit before tax, is attributable to increased investment in tax-exempt government securities, underscoring the effect of income composition on the sector's overall tax contribution.

Conversely, Irrecoverable VAT borne declined by 10.64%, from KES 15.27 billion in 2024 to KES 13.65 billion in 2025, despite general administrative expenses across the banking sector increasing by 12.6%. The decline in irrecoverable VAT, despite rising administrative expenses, may indicate that a greater proportion of expenditure was incurred on items that did not attract VAT, particularly employee-related costs thereby reducing the amount of irrecoverable VAT incurred.

In 2025, Withholding Tax Collected Surpassed People Taxes collected to become the second-largest component of TTC. Notably, taxes collected exceeded taxes borne for the first time in the history of the study, underscoring the growing role of banks as tax collection agents and the increasing contribution of transaction-driven taxes to the sector's overall tax footprint.

Corporate Tax borne increased modestly by **2.06%,** from **KES 69.41** billion in 2024 to **KES 70.84** billion in 2025, reversing the **4.98%** decline recorded in the prior year.

Analysis of the Total Tax Contribution of the Participating Banks

Profile of taxes borne and taxes collected

This section discusses the tax profile of the 33 participating banks from a taxes borne and taxes collected perspective.

Overview of taxes borne

Taxes borne are those whose financial impact is directly borne by the taxpayer. They are a cost to the businesses as these taxes directly affect a taxpayer's profitability. In 2025, the participating banks bore taxes amounting to KES 98.36 billion, representing a 1.77% decline from the KES 100.12 billion recorded in 2024.

The decline in taxes borne was driven by reductions across all categories of taxes borne except Corporate Tax, as outlined below:

- Irrecoverable VAT decreased by 10.64% - from **KES 15.27 billion** in 2024 to **KES 13.65 billion** in 2025;
- Withholding Tax Borne decreased by 10.43% – from **KES 5.97 billion** in 2024 to **KES 5.35 billion** in 2025;
- VAT on imported services decreased by 17.13% – from **KES 4.15 billion** in 2024 to **KES 3.44 billion in 2025**; and
- Withholding VAT Borne decreased by 27.12% – from **KES 1.60 billion** in 2024 to **KES 1.17 billion** in 2025.

The movements in taxes borne indicate that the overall decline was primarily driven by reductions in tax cost items associated with operating expenditure and business activities, while Corporate Tax,the tax linked to profitability, increased. In effect, participating banks paid less in expenditure-related taxes but more in profit-related tax.

This suggests improved operational efficiency alongside sustained profitability. According to the 2026 State of Banking Industry report, operational efficiency for the banking sector improved, with the Cost-to-Income Ratio declining from 61.0% to 58.4%, on account of stronger net operating income and better cost management across all bank tiers[19].

A further contributing factor may have been a shift in the composition of operating expenditure towards employee remuneration costs, which increased across the sector but do not attract VAT.

Figure 9 – Taxes borne profile for Participating Banks

Description	2024 (KES billion)	2025 (KES billion)	Year-on-Year Growth
Corporate Tax	69.41	70.84	2.06%
Irrecoverable VAT	15.27	13.65	(10.64%)
Withholding Tax Borne	5.97	5.35	(10.43%)
VAT on imported services	4.15	3.44	(17.13%)
Withholding VAT Borne	1.60	1.17	(27.12%)
People Taxes Borne	3.71	3.91	5.34%
Total	**100.12**	**98.36**	**(1.77%)**

[19]https://www.kba.co.ke/wp-content/uploads/2026/08/State-of-the-Banking-Industry-Report-2026_Released.pdf

Overview of taxes collected

Taxes collected are transactional taxes that the bank administers on behalf of the government. The taxes collected have an administrative and compliance cost for the bank and will invariably have an impact on the bank's operations. Taxes collected represent an additional responsibility with accompanying compliance obligations and compliance costs for banks.

In 2025, the participating banks collected taxes amounting to KES 107.22 billion, representing a 13.24% increase from the KES 94.69 billion recorded in 2024.

The overall increase in taxes collected was primarily driven by significant growth in key tax categories, as set out below:

- Withholding Tax Collected increased by **29.40%**, from **KES 33.97 billion** in 2024 to **KES 43.95 billion** in 2025. This growth reflects increased payments of management and professional fees, software licence royalties, and interest to deposit holders and other debt financiers;

43.95 billion

Withholding Tax Collected increased by 29.40%, from KES 33.97 billion in 2024 to KES 43.95 billion in 2025.

- People Taxes Collected increased by **6.40%**, from **KES 34.59 billion** in 2024 to **KES 36.81 billion** in 2025. This category includes PAYE, employee AHL, employee NSSF, and SHIF contributions. The increase was largely driven by higher AHL, SHIF, and NSSF collections. AHL and SHIF grew significantly as 2025 was the first full year of collections for these deductions, while NSSF collections increased following the rise in NSSF contribution rates in February 2025; and

A 5.46% increase in Excise Collected - from **KES 22.66 billion** in 2024 to KES 23.90 billion in **2025.**

> ***In 2025, the participating banks collected taxes amounting to KES 107.22 billion, representing a 13.24% increase from the KES 94.69 billion recorded in 2024.***

Figure 10 – Taxes collected profile for participating banks

Description	2024 (KES billion)	2025 (KES billion)	Year-on-Year Growth
People Taxes Collected	34.59	36.81	6.40%
Withholding Tax Collected	33.97	43.95	29.40%
Total Excise Collected	22.66	23.90	5.46%
Withholding VAT collected	2.51	1.71	(32%)
Others Taxes Collected	0.95	0.86	(10.22%)
Total	**94.69**	**107.22**	**13.24%**

Analysis of taxes borne

This section analyses the taxes borne by the 33 participating banks.

Corporate Tax paid by the participating banks

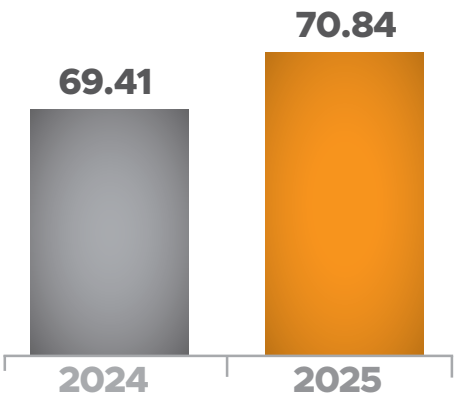
Corporate Tax borne by the participating banks increased marginally by 2.06%, from KES 69.41 billion in 2024 to KES 70.84 billion in 2025. During the same period, the study participants' profit before tax grew by 17.63%, from KES 260.09 billion to KES 305.95 billion. While the growth in profitability contributed to the increase in Corporate Tax borne, Corporate Tax grew at a significantly lower rate than profit before tax.

According to the Kenya Bankers Association's 2025 State of the Banking Industry Report, banks continued to favour sovereign instruments due to persistent credit risks in the economy and attractive risk-adjusted returns. Although interest income from loans and advances remained the sector's largest income source, it declined by 7.5% to KES 500.4 billion in 2025, reflecting slower credit growth and subdued private sector borrowing.[20]

In contrast, income from government securities increased by 9.6% to KES 287.2 billion. As a result, the share of income derived from government securities rose from 24.9% of total income in 2024 to 27.9% in 2025[21].

Given that certain government securities, including qualifying infrastructure bonds, are exempt from income tax, a greater reliance on these instruments may have moderated the growth in Corporate Tax despite the sector recording strong growth in profitability.

Figure 11 - Corporate Tax paid by the study participants (2024 - 2025 in KES billions)



[20, 21] https://www.kba.co.ke/wp-content/uploads/2026/08/State-of-the-Banking-Industry-Report-2026_Released.pdf

Corporate Tax borne by the participating banks as a percentage of total government Corporate Tax receipts

The participating banks contributed 22.15% of the total Corporate Tax collected by the Government of Kenya in 2025, compared to 23.73% in 2024. Despite the decline in the relative contribution, the banking sector continued to account for more than one-fifth of all Corporate Tax receipts, underscoring its significant contribution to government revenues.

The total government Corporate Tax collections increased by 9.32%, from KES 292.52 billion to KES 319.78 billion, while Corporate Tax borne by the participating banks increased by a comparatively modest 2.06%.

The faster growth in overall government Corporate Tax collections relative to the participating banks' Corporate Tax contribution suggests that Corporate Tax receipts from other sectors grew at a stronger rate during the year. This trend may reflect the impact of ongoing revenue administration and tax base expansion measures, including the continued implementation of the electronic Tax Invoice Management System (eTIMS), as well as improved tax compliance across the broader economy.

Figure 12 – Corporate Tax borne by the study participants as a percentage of total government Corporate Tax receipts

Item	2024 (KES billion)	2025 (KES billion)	Year-on-Year Growth
Total government Corporate Tax receipts	292.52	319.78	9.32%
Total Corporate Tax Borne by participating banks	69.41	70.84	2.06%
Corporate Tax Borne as a % of total govt Corporate Tax receipts	23.73%	22.15%	(6.66%)

22.15%

The participating banks contributed **22.15%** of the total Corporate Tax collected by the Government of Kenya in 2025, compared to **23.73%** in 2024.

Irrecoverable VAT

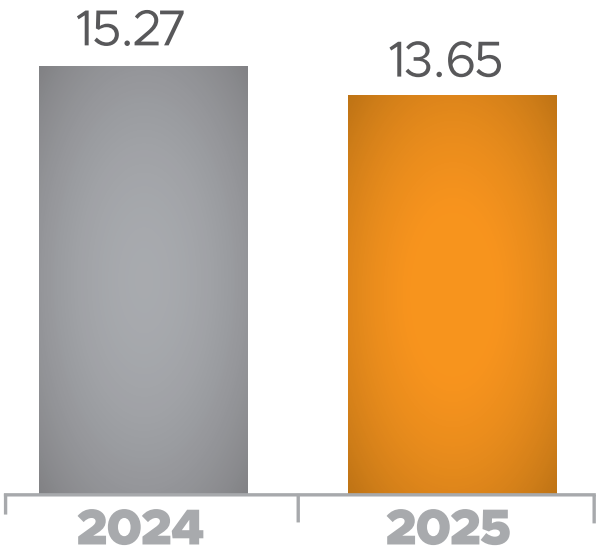
Irrecoverable VAT refers to VAT that banks incur on expenses that they cannot deduct due to the nature of their VAT-exempt services. As a result, this VAT becomes a direct cost to the banks and must be absorbed as part of their operating expenses.

Irrecoverable VAT incurred by the participating banks declined by 10.64%, from KES 15.27 billion in 2024 to KES 13.65 billion in 2025. At first glance, this reduction may suggest a decline in operating expenditure. However, this was not the case, as general administrative expenses across the banking sector increased by 12.6% in 2025 compared to 2024, driven by continued investment in digital infrastructure, cybersecurity, regulatory compliance, and branch optimisation initiatives[22].

The increase in administrative expenses was largely attributable to higher employee remuneration costs, which are not subject to VAT and therefore do not contribute to irrecoverable VAT. Total wages for the surveyed banks increased by 15.61%, from KES 123.21 billion in 2024 to KES 142.44 billion in 2025. Further, the 2025 Economic Survey report shows that wage payments in the financial and insurance sector rose by 15.11%, from KES 176.61 billion in 2024 to KES 203.30 billion in 2025[23].

The decline in irrecoverable VAT, despite rising administrative expenses, may indicate that a greater proportion of expenditure was incurred on items that did not attract VAT, particularly employee-related costs thereby reducing the amount of irrecoverable VAT incurred.

Figure 13 – Irrecoverable VAT borne by the participating Banks (2024 – 2025 in KES billions)



[22]https://www.kba.co.ke/wp-content/uploads/2026/08/State-of-the-Banking-Industry-Report-2026_Released.pdf

[23]https://www.knbs.or.ke/wp-content/uploads/2026/04/2026-Economic-Survey.pdf

Analysis of taxes collected

People Taxes Collected

People Taxes Collected was the second-largest category of taxes collected by participating banks in 2025, with PAYE continuing to account for the largest share. Total People Taxes Collected increased by 6.40%, rising from KES 34.59 billion in 2024 to KES 36.81 billion in 2025.

A notable trend, however, was the performance of PAYE. Despite employee wages increasing by 15.61%, from KES 123.21 billion to KES 142.44 billion, PAYE collections declined slightly by 2.98%, from KES 31.77 billion to KES 30.82 billion. Ordinarily, higher payroll costs would be expected to translate into higher PAYE collections.

The decline may indicate that employees are increasingly utilising available tax reliefs, deductions, and exemptions to reduce their taxable income, particularly in response to the higher PAYE rates introduced in recent years.

Effective 27 December 2024, the Tax Laws (Amendment) Act, 2024 introduced a tax deduction for contributions to post-retirement medical funds and increased the annual mortgage interest deduction for owner-occupied homes from KES 300,000 to KES 360,000.

In addition, the Finance Act, 2025 increased the tax-free daily allowance for employees on official duty away from their usual place of work from KES 2,000 to KES 10,000 with effect from 1 July 2025. Together, these measures may reduce the portion of employment income subject to PAYE and may have moderated PAYE collections despite rising wages.

The increase in People Taxes Collected was therefore driven not by PAYE, but by substantial growth in other statutory employee contributions, including SHIF, employee AHL, and employee NSSF contributions. This reflects the continued impact of reforms to Kenya's social contribution framework.

PAYE Collections Declined in 2025

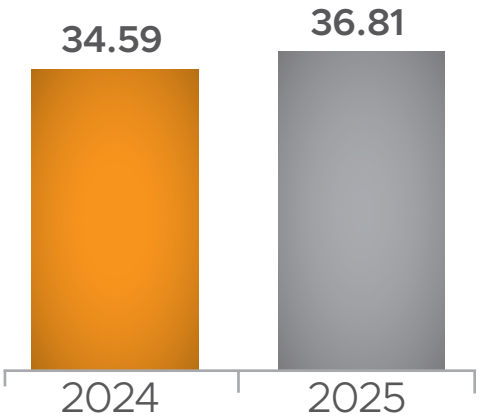
KES 30.82 billion.

Despite employee wages increasing by **15.61%,** from **KES 123.21 billion** to **KES 142.44** billion, PAYE collections declined slightly by **2.98%,** from **KES 31.77** billion to **KES 30.82 billion.**

Key movements in 2025 relative to 2024 included:

- NSSF contributions increased by 126.44%, from KES 0.77 billion in 2024 to KES 1.74 billion in 2025 following the implementation of revised contribution rates from 1 February 2025.
- SHIF collections rose by 221.43%, from KES 0.77 billion in 2024 to KES 2.48 billion in 2025, reflecting the first full year of contributions following the transition from the National Hospital Insurance Fund (NHIF) to SHIF in October 2024.
- AHL collections increased by 37.62%, from KES 1.16 billion in 2024 to KES 1.60 billion in 2025, as 2025 represented the first full calendar year in which the levy applied.

Figure 14 – People Taxes Collected by participating banks (2024 - 2025 in KES billions)



Withholding Tax Collected

Withholding Tax Collected moved from the second to the largest single component of taxes collected by the participating banks in 2025, overtaking People Taxes Collected for the first time.

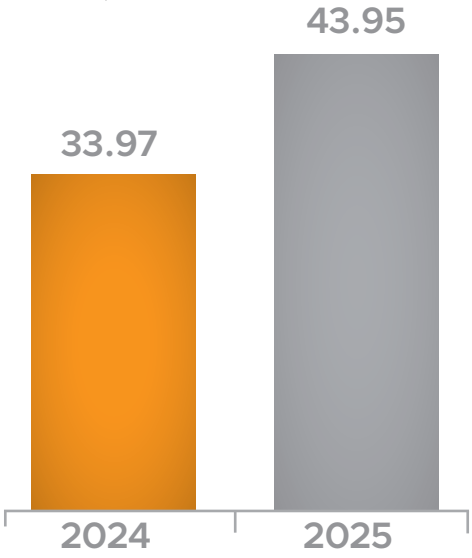
In 2025, Withholding Tax Collected surged to KES 43.95 billion, marking a 29.40% year-on-year increase from KES 33.97 billion in 2024. This substantial growth can be attributed to three key factors.

First, Withholding Tax Collected on royalties increased by 159%, following the broadened definition of royalty under the Tax Laws (Amendment) Act, 2024, which took effect in December 2024. The expanded definition brought a wider range of payments within the scope of Withholding Tax.

Second, Withholding Tax Collected on professional fees increased by 292%, reflecting significant investment by several banks in new core banking systems and related technology infrastructure during the year.

Third, Withholding Tax Collected on interest grew by 9%, not withstanding a 22.2% decline in aggregate interest expense on

Figure 15 – Withholding Tax Collected by the participating banks (2024 - 2025 in KES billions)



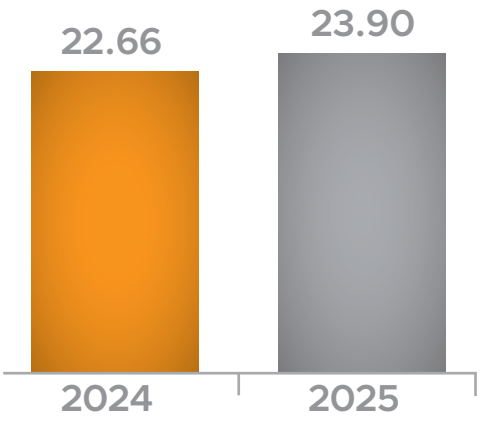
deposits to KES 251.4 billion[24] in 2025 as the cost of funding fell from 5.7% in 2024 to 3.9% in 2025[25] following the Central Bank of Kenya's progressive lowering of the benchmark rate. While lower funding costs reduced banks' overall deposit interest expense, withholding on interest continued to grow, suggesting that taxable interest payments remained relatively robust. This outcome is consistent with the expansion of the customer deposit base, which grew by 9.9% to KES 6.12 trillion in 2025[26].

Excise Collected

Excise Duty collected by the participating banks recovered in 2025, rising to KES 23.90 billion from KES 22.66 billion in 2024. This represents an increase of approximately 5.46%, reversing the 4.83% decline experienced in 2024.

The recovery in Excise Duty collections is closely linked to the rebound in credit activity. Net loans and advances recovered by 6.9% to KES 4.35 trillion in 2025[27], more than offsetting the 4.2% contraction recorded in 2024. Increased lending activity is typically accompanied by higher volumes of loan-related fees and charges, many of which are subject to Excise Duty.

Figure 16 – Excise Duty Collected by Participating Banks (2024 - 2025) (KES billion)



The resumption of credit growth was supported by improved macroeconomic conditions, easing monetary policy and strengthening business confidence.

[24]State of the Banking Industry Report 2026
[25]State of the Banking Industry Report 2026
[26]https://www.kba.co.ke/wp-content/uploads/2026/08/State-of-the-Banking-Industry-Report-2026_Released.pdf
[27]https://www.kba.co.ke/wp-content/uploads/2026/08/State-of-the-Banking-Industry-Report-2026_Released.pdf

Value distributed by the study participants

'Value distributed' consists of the sum of taxes contributed, employee emoluments and incentives and dividends paid to shareholders. These categories of persons - government, employees, and shareholders - represent the key stakeholders in any corporate organisation.

The Government received the largest proportion of the value distribution by the participating banks in 2025 at 51.11% (in the form of taxes collected and borne), followed by employees (in the form of employee emoluments net of taxes) at 27.75% and lastly shareholders at 21.15% (in the form of dividends net of taxes).

The increase in value distributed through dividends in 2025 relative to 2024 was broadly consistent with stronger growth in study participants' profitability. Profit before tax of the participating banks grew by 17.63% from KES 260.09 billion in 2024 to KES 305.95 billion in 2025.

In 2025, the increase in value distributed to employees was driven by a 15.61% rise in salaries and wages paid by participating banks.

15.61%

Value distributed to employees increased in 2025, driven by a 15.61% rise in salaries and wages paid by participating banks.

Figure 17 – Below shows the value distribution by the study participants.

Value distributed (%)	2024 (KES billion)		2025 (KES billion)		YoY % Change in share of total value distributed
	Amount (KES Billion)	**%**	**Amount (KES Billion)**	**%**	
Taxes (collected and borne)	194.81	54.95%	205.58	51.11%	(6.99%)
Employee Emoluments (net of taxes)	90.82	25.62%	111.62	27.75%	8.31%
Dividends paid (net of taxes)	68.91	19.44%	85.06	21.15%	8.80%
Total	**354.54**	**100%**	**402.26**	**100%**	**13.46**

Total Tax Rate of Participating Banks

Total Tax Rate (TTR) is the ratio of all taxes borne as a percentage of Profit Before Tax (PBT) and is therefore a measure of the cost of all taxes borne relative to profitability. Corporate Tax and Irrecoverable VAT are the two major components of taxes borne.

On an overall basis, the TTR of participating banks was 32.15%. This means that for every KES 100 of profit by the participating banks, KES 32.15 was paid to the government as taxes.

The TTR decreased from 38.50% in 2024 to 32.15% in 2025. The 16.49% decline in the TTR was driven by a 17.63% increase in PBT of the participating banks – from KES 260.09 billion in 2024 to KES 305.95 billion in 2025 accompanied by a 1.77% decline in Total Taxes Borne. 1.77% decline in taxes borne driven by a decline in irrecoverable VAT.

Figure 18 – below shows the TTR for the study participants.

Description	2024 (KES Billion)	2025 (KES Billion)
Corporate Tax	69.41	70.84
Irrecoverable VAT	15.27	13.65
Other taxes borne	15.44	13.87
Total Taxes Borne	100.12	98.36
Profits Before Tax (after exceptional items) of participating banks	260.09	305.95
Total Tax Rate (TTR)	**38.50%**	**32.15%**

Cost of Compliance

In 2025, the participating banks continued to bear a significant and growing compliance burden. On average, banks dedicated approximately three full-time employees (2.98) to tax compliance functions, spending an estimated 103 business hours per month on activities including preparing calculations, completing tax returns, and making tax payments. The average number of tax payments made per bank per month stood at 45, reflecting the high frequency of filing and remittance obligations imposed on the sector.

The cost profile of tax compliance shifted markedly in 2025. The average annual cost of employing full-time compliance staff stood at KES 9,758,976 per bank, a decline from KES 13,503,104 in 2024. Similarly, the cost of additional staff hired specifically for tax compliance decreased to KES 1,015,750 per bank, down from KES 1,853,002 in 2024. However, these internal savings were far outweighed by a substantial expenditure on external tax consultants, which surged to an average of KES 20,219,274 per bank. This may reflect a strategic

20,219,274

External tax advisory costs surged to KES 20,219,274 on average per bank, highlighting a **strategic shift** towards **outsourced tax** expertise rather than expanding internal tax teams amid growing **compliance complexity.**

> ***While frequent legislative changes and eTIMS implementation have increased compliance complexity, respondents noted that these developments have also strengthened internal controls, enhanced tax governance and improved reporting accuracy.***

shift by banks towards outsourcing increasingly complex compliance activities to specialist advisors rather than expanding internal headcount.

In aggregate, the total estimated compliance cost per bank rose by approximately 62.25% year-on-year, from KES 19.10 million in 2024 to KES 30.99 million in 2025, underscoring that despite stable internal staffing levels, the overall financial burden of compliance has intensified considerably.

On a scale of one to five, banks rated the overall complexity of tax filings at 3.19 — marginally lower than the 3.27 recorded in 2024, but still firmly in the moderately complex range. The five-day filing and payment cycle for Withholding Taxes continued to be cited as a major administrative strain, compelling banks to allocate disproportionate resources to time-sensitive processing at the expense of strategic tax planning and advisory functions.

Qualitative feedback from respondents paints a consistent picture of mounting operational pressure. Banks reported that compliance obligations have negatively affected efficiency by increasing operational costs, diverting skilled resources from strategic and advisory functions into routine, non-revenue-generating compliance work, and consuming significant time on frequent filings — particularly the five-day Withholding Tax cycle.

Respondents also highlighted the unpredictability of the tax environment, noting that frequent legislative changes require constant recalibration of processes and systems, while the implementation of digital tools such as eTIMS has introduced reconciliation challenges that add further complexity. Nevertheless, a number of respondents acknowledged that the heightened compliance environment has yielded some positive outcomes, including improved internal controls governance over the tax function and enhanced tax reporting accuracy.

Looking ahead, the sector's recommendations remain consistent with those expressed in 2024: reverting to monthly Withholding Tax filings and payments to reduce costs and administrative strain; greater automation through integrated digital platforms and pre-filled returns; enhanced stability and functionality of iTax and eTIMS; and clearer, more predictable tax guidelines that allow banks to plan and allocate resources with greater certainty.

KENYA BANKERS
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