



What is Digital Service Tax (DST)?

This is a tax that is payable on income derived or accrued in Kenya from services offered through a digital market place.

What is a digital market place?

A digital market place is a platform that enables direct interaction between buyers and sellers of goods and services through electronic means.

When is DST effective?

Digital Service Tax (DST) was introduced through the Finance Act 2020 and becomes effective from 1st January 2021.

What is the due rate of DST?

DST is payable at 1.5% of the gross transaction value.

What is the Due date for DST?

DST is due at the time of transfer of the payment for the service to the service provider.

Is DST a final tax?

For residents and companies with a permanent establishment (PE) in Kenya, the Digital Services Tax will be an advance tax that they will offset against the income taxes due in the course of the financial year.

For non-residents and companies without a permanent establishment in the country, the Digital Services Tax will be a final tax.

What constitutes:

- a) Resident
- b) Permanent Establishment

For taxation purposes,a) a resident is in case of:

(i) Individual

a. An individual entity with a permanent home in Kenya and was present in the country in the year of income under review.

- b. An individual with no permanent home in Kenya but has been in the country for 183 days or more in the year of income under review.
- c. An individual with no permanent home in Kenya but has been in the country for an average of 122 days in the year of income under review and two other preceding years.

(ii) Non-individuals (Company)

On the other hand, a company is deemed to be resident in Kenya where:

- a. The company is registered under Kenyan laws.
- b. The Cabinet Secretary for National Treasury and Planning declares the company as registered in the country.
- c. The management and control of the company is domiciled in the country

(b) Permanent Establishment (PE)

A non-resident person with a fixed place of business in Kenya which has existed for a period of 6 months or more or as determined under the Double Tax Agreement (DTA)

How will KRA collect Digital Service Tax?

The tax will be collected and remitted by agents appointed by the Commissioner of Domestic Taxes.

There are many overseas companies operating on the digital market space who do not have physical offices locally. How will they account for the Digital Services Tax?

Such companies will be required to appoint local tax representatives who will account and remit the tax on their behalf.

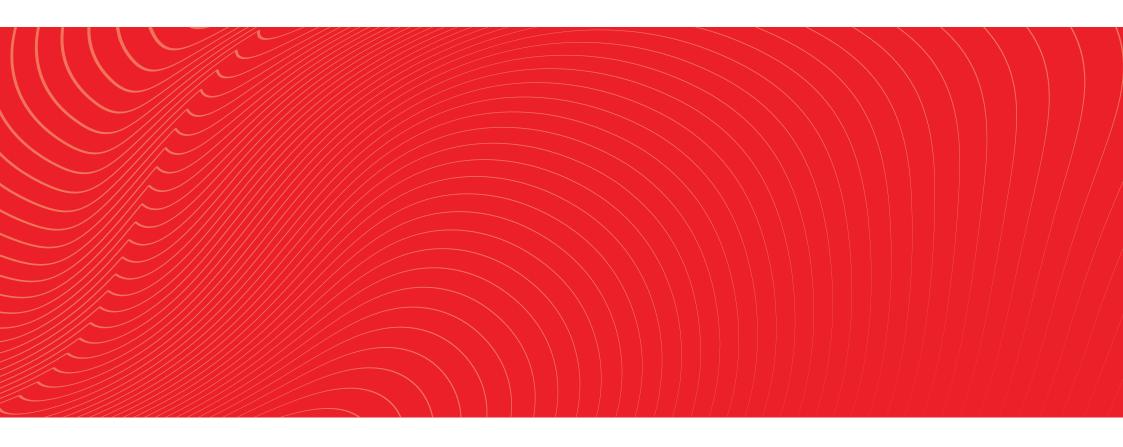
Benefits of DST.

Collection of DST intends to:

- address the changing business models, and
- expand the tax base and ensure equity, fairness and neutrality in taxation between traditional methods of doing business and the new ways of transacting over digital platforms.







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