



# OVERVIEW OF MONTHLY RENTAL INCOME (MRI) TAX

## Overview of Monthly Rental Income (MRI)

A simplified tax regime on residential rental income tax known as Monthly Rental Income (MRI) was introduced through the Finance Act 2015 and came into effect on 1st Jan 2016.

## Who is eligible for MRI?

MRI is payable by a resident person (individual or company) on rental income accrued or derived in Kenya for the use or occupation of residential property.

Following the enactment of the Finance Act 2020, MRI applies to those earning rental income between Kshs. 288,000 (Kshs. 24,000 per month) and KES. 15 million per annum with effect from 1st January 2021.

Property owners with rental income above Kshs. 15 million per year will be required to declare the rental income together with incomes from other sources (if any) while filing their annual income tax returns.

## What is the MRI tax rate?

The rate of tax is 10% on the gross rent received. No expenses, losses or capital deductions are allowed for deduction from the gross rent.

## When is MRI due?

MRI is payable when landlords receive rent from their tenants either monthly, quarterly, semi-annually or annually. However, returns must be filed monthly.

## Exemptions from MRI

MRI is not applicable on:

- Rental income from commercial property
- Non-resident landlords
- Landlords who earn more than Kshs. 15,000,000 per year

## When is MRI Returns and Payment Due?

Rental Income is filed and paid on or before the 20th of the following month. For example, rent received in January is declared and tax paid on or before 20th

## Are there penalties attached to non-payment of MRI?

Late filing of MRI returns attracts a penalty of:

Kshs. 1,000 or 5% of the tax due; whichever is higher for individuals  
Kshs. 20,000 or 5% of the tax due; whichever is higher for corporates

Late payment penalty is 5% of the tax due.

Late payment interest is 1% per month

## How to Register a Property for MRI

1. Under the registration tab, click on the very last option: Register Property details.

2. Click on next.
3. There are two sections, section A that has auto-filled details of the landlord and section B, which should be filled by the taxpayer depending on the type of property. There are three options of property
  - i. New property – for a taxpayer who has never registered any property even prior to this enhancement
  - ii. Update property – for updating property details
  - iii. Deregister property – for taxpayers wishing to cancel already filled registration details
4. After selecting the type of property, proceed to fill out a PIN of a tenant of the said property. The system will auto-populate the name of the taxpayer.
5. Fill out the needed details depending on the selected option, and enter an “estimated monthly rental income”
6. Then click on ‘add’.
7. Enter any remarks under ‘Application Remarks’ and click on ‘Submit’.
8. You will receive an ‘Acknowledgement Receipt’ for registered property details.

## How to file MRI

1. Under the returns tab, click on ‘File Return’
2. Select the obligation “Income Tax – Rental Income” and click on next.  
There are two sections:

### Section A

Select whether you are filing an Original Return or an Amended Return.

### Section B

- The total number of properties will be auto-populated based on the number of properties added. If for none, this field will need to be entered.
- Enter your monthly rental income.
- The Tax on rental income will be automatically computed.
- Where you have any rental withholding certificates and credits for the month in reference, the system will auto-populate. The tax due will also be calculated factoring in all the credits where any apply.
- The final step is to click the ‘Submit’ button.  
MRI is a final tax; therefore, persons are not required to declare the same in their annual income tax returns.

## How to pay for MRI

After filing the MRI return, generate a payment slip as follows;

- Under the tab ‘Payments’, select ‘New Payment Registration’.  
Select the tax head as Income Tax and Tax sub-head as Income tax – Rent.
- 3. Select the payment type as Self-Assessment Tax where the return has already been filed and proceed to enter the tax periods (year and month).
- 4. After selecting the radio button, click on the ‘Add’ button then select the payment mode as appropriate.
- 5. Press ‘Submit’ and retrieve a unique payment registration number which will be used for either mobile payments or payments through banks.





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