



## Capital Gains Tax FAQs

**Disclaimer:** KRA notifies taxpayers that it will not accept responsibility for payments not received, credited and validated in the relevant KRA accounts. **Corruption Reporting:** +254 (0726) 984 668, **Email:** [corruptionreporting@kra.go.ke](mailto:corruptionreporting@kra.go.ke). **Short Messaging Services (SMS):** Dial (\*572#) or Text to 22572. **Contact Centre:** +254 (020) 4 999 999, +254 (0711) +254 (0) 20 3 343 342, **Email:** [cic@kra.go.ke](mailto:cic@kra.go.ke)

## What is Capital Gains Tax (CGT)?

CGT is tax that is levied on –

1. Gains which accrued to a company, an individual or partnership on or after 1<sup>st</sup> January, 2015 on transfer of property situated in Kenya, acquired on or before January 2015.
2. Gains arising from the sale of shares or comparable interests in foreign entities which derive more than 20% of their value directly or indirectly from immovable property situated in Kenya to CGT in Kenya. (effective 1<sup>st</sup> July 2023)
3. Similarly, CGT will also apply where a non-resident person who holds more than 20% of the share capital of a Kenyan company directly or indirectly disposes off their interest. (effective 1<sup>st</sup> July, 2023)

CGT is declared and paid by the transferor of the property

## What is the rate for Capital Gains Tax?

The rate of CGT is 15% of the net gain.

It is a final tax i.e. the capital gain is not subject to further taxation after payment of the 15% rate of tax.

Net Gain is Sales Proceeds minus the Acquisition and Incidental costs.

## When is CGT payable?

The due date (referred to as Tax Point) for CGT is upon registration of the transfer instrument in favour of the transferee.

## How to Compute Capital Gains Tax

Net Gain = (Transfer value - Incidental Costs on Transfer) - Adjusted Cost ( Acquisition Cost + Incidental Costs on Acquisition + Any enhancement Cost)

## **What constitutes a transfer?**

If property is sold, exchanged, conveyed or otherwise disposed of in any manner (including by way of gift), whether or not for consideration;

On the occasion of the loss, destruction or extinction of property whether or not a sum by way of compensation is received in respect of the loss, destruction or extinction unless that sum is utilized to reinstate the property in essentially the same form and in the same place within one year or within a longer period of the time approved by the Commissioner.

On the abandonment, surrender, cancellation or forfeiture of, or the expiration of substantially all rights to property, including the surrender of shares or debentures on the dissolution of a company.

## **What are allowable expenses for the purposes of CGT ?**

1. Cost of Acquisition/Construction
2. Loan/Mortgage interest
3. Cost of advertising to find a buyer
4. Costs incurred in valuation of the property
5. Legal fees
6. Costs of enhancements.

## **How To Determine the Transfer Value/Selling Prices for the purpose of CGT?**

1. Amount received for transferring the property; Sums received in return for the abandonment, forfeiture or surrender of the property.
2. Amount received for the use of exploitation of the property eg rent
3. Compensation received for damage, injury to the property or for the loss of the property
4. Insurance policy reimbursement in respect of injury, or loss or damage to the property.

## **CGT Exemptions & Transfers not deemed Transfers for CGT purposes**

- Income that is taxed elsewhere as in the case of property dealers
- Issuance by a company of its own shares and debentures
- Transfer of property for the purpose only of securing a debt or a loan
- Transfer by a creditor for the purpose only of returning property used as security for a debt or a loan
- Transfer by a personal representative of any property to a person as beneficiary in the course of the administration of the estate of a deceased person.
- Transfer of assets between spouses;
- Transfer of assets between former spouses as part of a divorce settlement or a bona fide separation agreement;
- Transfer of assets to immediate family;
- To a company where spouses or a spouse and immediate family hold 100% shareholding;
- A private residence if the individual owner has occupied the residence continuously for the three-year period immediately prior to the transfer concerned
- Transfer of property as a result of internal restructuring within a group which has existed for at least 24 months, and which does not involve a transfer of property to a third party.

## **How do I pay for Capital Gains Tax?**

The due date for CGT payment shall be the earlier of receipt of full purchase price by the vendor or the registration of the transfer instrument in favor of the transferee.

- Payment should be initiated online via iTax <https://itax.kra.go.ke>
- The modes of payment include cash, cheque or RTGS.
- After initiating payment, you will receive a payment slip.
- Present the payment slip at any KRA appointed bank with the due tax to complete payment.

**Note: The payment slip expires within 30 days**



KENYA REVENUE  
AUTHORITY

*Tulipe Ushuru, Tujitegemee!*

[www.kra.go.ke](http://www.kra.go.ke)



@KRACare



Kenya Revenue Authority



Kenya Revenue Authority



Kenya Revenue Authority