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CONTENT

Act—

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THE FINANCE ACT, 2026

No. 19 of 2026

Date of Assent: 23rd June, 2026

Date of Commencement: See Section 1

AN ACT of Parliament to amend the laws relating to various taxes and duties; and for matters incidental thereto

ENACTED by the Parliament of Kenya, as follows—

PART I—PRELIMINARY

Short title and commencement.

1. This Act may be cited as the Finance Act, 2026, and shall come into operation as follows—

(a) on 1st January, 2027, section 17, 18, 24;

(b) on 1st September, 2026, section 43;

(c) all other sections, 1st July, 2026.

PART II—INCOME TAX

Amendment of section 2 of Cap. 470.

2. Section 2 of the Income Tax Act is amended in subsection (1)—

(a) in the definition of "immovable property", by deleting the word "and" appearing immediately after the words " immovable property" the end of at item (a), and substituting therefor the word "or"";

(b) in the definition of "management or professional fee", by inserting the words "and includes interchange fees and merchant service fees arising from transactions that use a card as a means of payment" immediately after the word "calculated";

(c) by deleting the definition of "royalty" and substituting therefor the following new definition—

"royalty" means a payment made as a consideration for the use or the right to use—

(a) any copyright of a literary, artistic or scientific work;

(b) any software, proprietary or off-the-shelf, whether in the form of licence, development, training, maintenance or support fees;

(c) any cinematograph film including a film or tape for radio or television broadcasting;

(d) any patent, trademark, design or model, plan, formula or process;

(e) any industrial, commercial or scientific equipment;

(f) information concerning industrial, commercial or scientific equipment or experience, and any gains derived from the sale or exchange of any right or property giving rise to that royalty; or

(g) a proprietary digital payment card network or platform, including access, participation or usage rights in such system through a card, whether the consideration is periodic or transaction-based and whether or not the payment is described as a service fee, transaction fee, network fee, assessment fee, processing fee or similar charge.

(d) by deleting the definition of "withdrawals" and substituting therefor the following new definition—

"withdrawals" means any amount of money, cash equivalent, or money's worth paid or disbursed to the account of a player, by a person licensed under the Gambling Control Act, 2025; No.15 of 2025.

(e) by inserting the following new definition in proper alphabetical sequence—

"winnings" means a pay-out from a lottery or prize competition by a person licensed under the Gambling Control Act, 2025.

3. Section 5 of the Income Tax Act is amended — Amendment of section 5 of Cap. 470.

(a) in subsection (1) by inserting the following proviso —

Provided that the income of a non-resident individual employed by, or engaged on behalf of, a resident air transport operator designated by the Government as a national carrier shall not be deemed to accrue in or be derived from Kenya to the extent that the income is related to duties of the individual performed outside Kenya and the international transport operation of the air transport operator.

(b) in subsection (4) by inserting the following new paragraph immediately after paragraph (g) —

(ga) any contribution to a gratuity in respect of employment or services rendered:

Provided that-

(i) the gratuity was for a contract of service for the continuous period of at least three years or, renewal or extension of such contract beyond three years; and

(ii) the amount paid as gratuity does not exceed thirty-one per cent of the emoluments, earned by the employee for the period of the contract.

4. The Income Tax Act is amended by inserting the following new section immediately after section 6A— Insertion of a new section 6B to Cap. 470.

Imposition of non-resident rental income tax.

6B. (1) Where the income of a non-resident person is accrued in or derived from the use or occupation of property situated in Kenya, a tax to be known as non-resident rental income tax shall be payable by that non-resident person at the rate specified in the Third Schedule which shall be a final tax on the income.

(2) A non-resident person subject to the tax payable under subsection (1) shall—

(a) register and account for the tax through a simplified registration framework prescribed by the Commissioner; and

(b) submit a return and pay the tax due on or before the twentieth day of the month following the end of the month for which the rent is paid.

(3) Subsection (2) shall not apply where the income accrued in or derived from the use or occupation of the property is received by a resident person on behalf of

the non-resident person who is subject to the deduction of tax specified in section 35 (1) (c).

5. Section 8 of the Income Tax Act is amended by deleting subsection (5A). Amendment of section 8 of Cap. 470.

6. Section 9 of the Income Tax Act is amended by inserting the following new subsection immediately after subsection (1)— Amendment to section 9 of Cap. 470.

(1A) The tax charged on the income under subsection (1) shall be payable within five days after the payment is received or the ship leaves the port of lading, whichever is earlier.

7. Section 10 of the Income Tax Act is amended in subsection (1), by inserting the following new paragraphs immediately after paragraph (m)— Amendment to section 10 of Cap. 470.

(n) sale of scrap metal;

(o) winnings.

8. The Income Tax Act is amended by repealing section 11 and replacing it with the following new section— Repeal and replacement of section 11 of Cap. 470.

Trust income deemed income of trustee.

11. (1) Any income chargeable to tax and received by a person in the capacity of a trustee, executor or administrator, shall be deemed to be the income of that trustee, executor or administrator.

(2) Qualifying dividend or qualifying interest which is included in the income of the trustee, executor or administrator under subsection (1) shall not be subject to further tax under this Act.

(3) Where a trustee, executor or administrator has paid tax on the chargeable income of the trust, a beneficiary of the trust shall not be liable to pay tax on that income.

9. Section 12 of the Income Tax Act is amended in subsection (1), by deleting paragraph (a) and substituting therefor the following new paragraph— Amendment of section 12 of Cap. 470.

(a) if, to the best of his judgement and belief, he will have no income chargeable to tax for that year of income other than emoluments.

10. Section 15 of the Income Tax Act is amended— Amendment of section 15 of Cap. 470.

(a) in subsection (2) by inserting the following new proviso in paragraph (a) —

Provided that in the case of a person carrying on a money lending business, a bank or financial institution licensed under the Banking Act, the Microfinance Act and the Central Bank of Kenya Act, a debt that has become bad in accordance with the guidelines issued by the Commissioner shall include the principal, interest and any other amount relating to the debt; Cap. 488. Cap. 493C. Cap. 491.

(b) in subsection (4) by inserting the following new proviso-

Provided that any person who before the 1st July, 2025 had invested at least ten billion shillings in Kenya and who, after the ascertainment of income had resulted in a deficit, and the deficit had been ascertained in respect of any period before the 1st July, 2025, the deficit shall be deemed to have occurred in the 2025 year of income of that person and the deduction may be applied by that person beyond the period specified in subsection (4) until it is extinguished.

11. Section 16 of the Income Tax Act is amended in subsection (2) (j) (iii) (E) by deleting the words "lending and leasing business" appearing after the words "involved in" and substituting therefor the words "lending or leasing business, or both". Amendment of section 16 of Cap. 470.

12. Section 18D of the Income Tax Act is amended— Amendment of section 18D of Cap. 470.

(a) in subsection (1), by deleting the expression "subsection (3)" appearing after the words "accordance with" and substituting therefor the expression "subsection (2)";

(b) in subsection (2), by deleting the expression "subsection (1)" appearing after the words "accordance with" and substituting therefor the expression "subsections (1) and (1A)";

(c) in subsection (5), by deleting the expression "subsection (1)" appearing after the words "accordance with" and substituting therefor the expression "subsections (1) and (1A)".

13. Section 18F of the Income Tax Act is amended— Amendment of section 18F of Cap. 470.

(a) in the definition of "a country-by-country report", by deleting the expression "section 18D (1)" appearing after the words "filed under" and substituting therefor the expression "section 18D (1) and (1A)";

(b) in the definition of "excluded multinational enterprise group", by deleting the expression "section 18D (1)" appearing after the words "specified in" and substituting therefor the expression "section 18D (1B)";

(c) by deleting the definition of "ultimate parent entity" and substituting therefor the following new definition—

"ultimate parent entity" means a constituent entity of a multinational enterprise group where—

(a) the constituent entity owns directly or indirectly a sufficient interest in one or more other constituent entities of the multinational enterprise group;

(b) the constituent entity is required to prepare consolidated financial statements under accounting principles generally applied in its jurisdiction of tax residence, or would be so required if its equity interests were traded on a public securities exchange in its jurisdiction of tax residence; and

(c) there is no other constituent entity of the multinational enterprise group that owns, directly or indirectly, a sufficient interest in any of the other constituent entities of the multinational enterprise group.

14. Section 19 of the Income Tax Act is amended— Amendment of section 19 of Cap. 470.

(a) in subsection (5)—

(i) by deleting the words "life insurance fund" appearing in paragraph (a) and substituting therefor the words "statutory fund"; and

(ii) by deleting the words "life insurance fund" appearing in paragraph (b) and substituting therefor the words "statutory fund";

(b) in subsection (5A), by deleting the words "life insurance fund" wherever they occur and substituting therefor the words "statutory fund";

(c) in subsection (6), by deleting the words "life insurance fund" appearing in paragraph (b) and substituting therefor the words "statutory fund";

(d) in subsection (6A), by deleting the words "life insurance fund" wherever they occur and substituting therefor the words "statutory fund";

(e) in subsection 7—

(i) in the definition of "annuity fund", by deleting the words "life insurance fund" wherever they occur and substituting therefor the words "statutory fund";

(ii) by deleting the definition of "life insurance fund";

(iii) by inserting the following new definition in proper alphabetical sequence—

"statutory fund" means a fund established under section 45 of the Insurance Act. Cap. 487.

15. The Income Tax Act is amended by repealing section 23. Repeal of section 23 of Cap. 470.

16. Section 35 of the Income Tax Act is amended— Amendment of section 35 of Cap. 470.

(a) in subsection (1)—

(i) by deleting the word "travel" appearing in paragraph (a) (ii) and substituting therefor the words "transport services";

(ii) by deleting paragraph (u);

(iii) by adding the following new paragraphs immediately after paragraph (u)—

(v) the sale of scrap metal;

(w) winnings;

(b) by inserting the following new subsection immediately after subsection (1)—

(1A) Subsection (1) shall not apply to payments made by a resident air transport operator designated by the Government as a national carrier to a non-resident person in respect of access to, participation in or use of a proprietary digital platform, payment network, payment-card scheme, payment processing system, switching system, clearing system or settlement system, including access, participation or usage rights in the system through a card, whether the consideration is periodic or transaction-based and whether or not the payment is described as a service fee, transaction fee, network fee, assessment fee, processing fee or similar charge.

(c) in subsection (3) by adding the following new paragraph immediately after paragraph (o)—

(p) the sale of scrap metal;

(q) winnings.

Amendment of section 52 of Cap. 470.

17. Section 52 of the Income Tax Act is amended in subsection (1), by deleting the words "within a reasonable time, not being less than thirty days from the date of service of the notice" appearing immediately after the words "furnish him" and substituting therefor the words "by the last day of the fourth month following the end of the person's year of income".

Amendment of section 52B of Cap. 470.

18. Section 52B of the Income Tax Act is amended by deleting in subsection (1) and substituting therefor the following new subsection—

(1) Notwithstanding any other provision of this Act —

(a) every individual chargeable to tax under this Act shall for any year of income, furnish to the Commissioner a return of income, including a self-assessment of their tax from all sources of income, not later than the last day of the fourth month following the end of their year of income; and

(b) every person, other than an individual chargeable to tax under paragraph (a), shall for any accounting period furnish to the Commissioner a return of income, including a self-assessment of his tax on such income, not later than the last day of the sixth month following the end of his accounting period.

19. Part I of the First Schedule to the Income Tax is amended— Amendment of the First Schedule to Cap. 470.

(a) in paragraph 53, by inserting the following paragraph immediately after paragraph (c) of the proviso—

(d) benefits arising due to death;

(b) inserting the following new paragraph immediately after paragraph 75—

76. Any capital gains relating to the transfer of property to a real estate investment trust registered by the Commissioner under section 20 (1).

20. The Second Schedule to the Income Tax Act is amended in the table appearing in paragraph 1 (1) — Amendment of the Second Schedule to Cap. 470.

(a) in item (iv) in the second column by inserting the following proviso—

Provided that where the investment is in excess of ten billion shillings 100% in the first year of use.

(b) by inserting the words "per year, in equal instalments" immediately after the expression "10%" appearing in item (a) (viii).

21. Head B of the Third Schedule to the Income Tax Act is amended— Amendment of the Third Schedule to Cap. 470.

(a) in paragraph 2, by deleting subparagraph (i);

(b) in paragraph 3—

(i) by deleting the proviso to subparagraph (d);

(ii) by inserting the following new subparagraphs immediately after subparagraph (w)—

(x) in respect of the sale of scrap metal, one and a half per cent of the gross amount;

(y) in respect of winnings, twenty per cent;

(c) in paragraph 5, inserting the following new subparagraphs immediately after subparagraph (p)—

(q) in respect of the sale of scrap metal, one and a half per cent of the gross amount;

(r) in respect of winnings, twenty per cent.

22. The Fourth Schedule to the Income Tax Act is amended by inserting the following new item— Amendment of the Fourth Schedule to Cap.470.

A financial institution licenced under the Microfinance Act (Cap. 493C.)

23. The Eighth Schedule to the Income Tax Act is amended— Amendment of the Eighth Schedule to Cap. 470.

(a) in paragraph 2—

(i) in subparagraph (c), by deleting the expression "subparagraph (a)" appearing immediately after the words "to which" and substituting therefor the expression "subparagraph (b)";

(ii) by inserting the following new subparagraph immediately after subparagraph (c)—

(d) gains derived from the alienation of shares by a non-resident person where the shares derive their value from Kenya or the alienation results in a change of the group membership of a company resident in Kenya or of ownership of, title in, or interest in property located in Kenya.

(b) in paragraph 8 (4A) by inserting the words ", other than a transfer to which paragraph 6(2)(i) applies," immediately after the words "Capital Gains Tax".

24. The Ninth Schedule to the Income Tax Act is amended— Amendment of the Ninth Schedule to Cap. 470.

(a) in paragraph 2, by inserting the following new subparagraph immediately after subparagraph (3)—

(4) The non-resident tax rates for repatriated income by a licensee under section 7B shall be fifteen per cent.

(b) in paragraph 7—

(i) in subparagraph (3), by deleting the words "thirty-seven and a half percent" appearing in item (b) immediately after the words "non-resident company" and substituting therefor the words "thirty percent";

(ii) by inserting the following new paragraph immediately after paragraph (3)—

(4) The non-resident tax rates for repatriated income by a contractor under section 7B shall be fifteen per cent.

PART III—VALUE ADDED TAX

25. Section 2 of the Value Added Tax Act is amended in subsection (1)— Amendment of section 2 of Cap. 476.

(a) by deleting the definition of "assessment";

(b) by deleting the definition of "information technology";

(c) by deleting the definition of "tax computerized system".

26. Section 13 of the Value Added Tax Act is amended— Amendment of section 13 of Cap. 476.

(a) by inserting the following new subsections immediately after subsection (5) —

(5A) Subject to subsection 5, where a supplier provides labour, outsourcing or employee placement services and incurs employee-related costs, such costs shall be deemed to be disbursements made by the supplier on behalf of the client.

(5B) For the purpose of subsection (5A), "employee related costs" includes salaries, wages, statutory deductions and such other related costs.

(b) in subsection (6), by deleting paragraph (a) and substituting therefor the following new paragraph—

(a) in the case of a supply of goods from a person licenced to carry on hire purchase business under a hire purchase agreement registered in accordance with the Hire Purchase Act, any financial charge payable in relation to the supply of credit under the agreement. Cap. 507.

Amendment of section 17 of Cap. 476.

27. Section 17 of the Value Added Tax Act is amended —

(a) in subsection 5, by inserting the following new paragraph immediately after paragraph (d)—

(e) input tax is attributable to supplies made to the Kenya Defence Forces, the Defence Forces Welfare Services, the National Intelligence Service and the National Police Service, where such supplies are specified as exempt under paragraphs 57 and 101 of the First Schedule.

(b) by inserting the following new sub-sections immediately after subsection (6) —

(7) Notwithstanding subsection (6), a registered person shall be entitled to deduct input tax incurred in respect of supplies made to the Kenya Defence Forces, Defence Forces Welfare Services, the National Intelligence Service and the National Police Service:

Provided that—

(a) the supplies are supported by such documentation as the Commissioner may prescribe; and

(b) the deductions are limited to input tax directly attributable to those supplies.

(8) For the avoidance of doubt, input tax deducted under subsection (7) shall not be subject to apportionment under subsection (5) where it is wholly attributable to the supplies specified therein.

Insertion of a new section 17A to Cap. 476.

28. The Value Added Tax Act is amended by inserting the following new section immediately after section 17—

Adjustment of input tax after supplies become exempt.

17A. (1) Where, on the date taxable supplies by a registered person become exempt and the person has deducted input tax on such supplies but the supplies remain unsold, the person shall account for an amount equal to the input tax relating to the supplies which remain unsold in the tax return of the period when the taxable supply became exempt.

(2) When accounting for input tax under subsection (1), the person shall use the method used when input tax was deducted in respect of the supplies before the date the supplies became exempt.

(3) Where the adjustment results in excess input tax, the person shall be liable to pay the resulting tax to the Commissioner.

29. Section 31 of the Value Added Tax Act is amended in subsection (1), by deleting the words "two years" appearing in paragraph (a) immediately after the words "period of" and substituting therefor the words "three years". Amendment of section 31 of Cap. 476.

30. Section 42 of the Value Added Tax Act is amended by deleting subsection (2) and substituting therefor the following new subsection— Amendment of section 42 of Cap. 476.

(2) An invoice showing an amount that purports to be tax shall only be issued in respect of a taxable supply.

31. The Value Added Tax Act is amended by repealing section 66. Repeal of section 66 of Cap. 476.

32. Section A of the First Schedule to the Value Added Tax Act is amended— Amendment of First Schedule to Cap. 476.

(a) in Part I—

(i) by deleting paragraph 49;

(ii) in paragraph 51—

(A) by inserting the words "spare parts" immediately after the word "lubricants" appearing in paragraph 51;

(B) by inserting the following new proviso—

Provided that any exemption granted for spare parts before the 30th June, 2026, shall apply until the conclusion of the project.

(iii) by deleting paragraph 58;

(iv) by deleting paragraph 62;

(v) by deleting the words "any other aircraft spare" appearing in paragraph 89 and substituting therefor the word "aircraft";

(vi) by deleting the words "three hundred" appearing in paragraph 99 (i) and substituting therefore the words "two thousand";

(vii) by deleting paragraph 109;

(viii) by deleting paragraph 146 and substituting therefor the following new paragraph—

146. Such capital goods the exemption of which the Cabinet Secretary may determine to promote investment in the manufacturing sector:

Provided that the value of such investment is not less than two billion shillings.

(ix) by inserting the following new paragraphs immediately after paragraph 157—

158. Dialyzers of tariff number 8421.29.00.

159. Scrap metal.

160. Inputs or raw materials locally purchased or imported for the manufacture of pharmaceutical products upon recommendation by the Cabinet Secretary

for the time being responsible for matters relating to health.

161. Bioethanol vapour (BEV) Stoves classified under HS Code 7321.12.00 (cooking appliances and plate warmers for liquid fuel).

162. The supply of goods for the direct and exclusive use in the implementation of infrastructure projects undertaken under a public private partnership framework, upon approval by the Cabinet Secretary on the recommendation of the Cabinet Secretary for the Ministry responsible for the implementation of the project.

163. The supply of goods for direct and exclusive use in the implementation of infrastructure projects undertaken and funded by the National Infrastructure Fund as approved by the Cabinet Secretary responsible for the National Treasury.

164. Plant, machinery, equipment and spare parts imported or purchased locally for use in a project whose total investment value is not less than three billion shillings as approved by the Cabinet Secretary responsible for the National Treasury upon recommendation by the Cabinet Secretary responsible for Trade and Investment Promotion.

165. Taxable goods used in the construction of liquefied petroleum gas storage tanks and related infrastructure:

Provided that the investment in the construction of liquefied petroleum gas storage tanks and related infrastructure in

Kenya amounts to at least five billion shillings and upon recommendation of the Cabinet Secretary responsible for matters relating to energy.

166. The making of any advances or the granting of credit, including the sale, disposal or realization of collateral, repossessed assets or secured property arising from the enforcement of security for loans, credit or other exempt financial services.

(b) in Part II—

(i) in paragraph 1, by deleting subparagraph (b) and substituting therefor the following new subparagraph—

(b) the issue, transfer, receipt and other dealing with money, including money transfer services, and accepting over the counter payments of household bills, but does not include—

(i) the services of carriage of cash restocking of cash machines, sorting or counting money; and

(ii) payment processing, settlement, merchant acquiring, gateway, aggregation services supplied over a software or platform for a fee or commission by a payment service provider:

For the purpose of this paragraph—

"payment service provider" means—

(a) a person, company or organization which owns, possess, operates, manages or controls a public switched network for the provision of payment services; or

(b) any other person, company or organization that processes or stores data on behalf of such payment service provider or users of such payment services.

(ii) paragraph 25 is amended by inserting the following new definitions—

For the purposes of this paragraph—

"tour operator" means a tour or safari operator licensed as such by the competent authority responsible for regulating and overseeing the tourism sector; and

"in-house supplies" means supplies made from a tour operator's own resources; or bought from third parties but materially altered so that the supply made is substantially different to that purchased.

(iii) by deleting paragraph 26;

(iv) by inserting the following new paragraph immediately after paragraph 38—

39. The supply of services for the direct and exclusive use in the implementation of infrastructure projects undertaken under a public private partnership framework, upon approval by the Cabinet Secretary on the recommendation of the Cabinet Secretary for the Ministry responsible for the implementation of the project.

40. Taxable services used in the construction of liquefied petroleum gas storage tanks and related infrastructure:

Provided that the investment in the construction of liquefied petroleum gas storage tanks and related infrastructure in Kenya amounts to at least five billion shillings and has been recommended by the Cabinet Secretary responsible for matters relating to energy.

33. The Second Schedule to the Value Added Tax Act is amended in Part A— Amendment of Second Schedule to Cap. 476.

(a) by deleting paragraph 11;

(b) deleting paragraph (e) and substituting therefor the following new paragraph-

(b) in paragraph 31 by inserting the words "of tariff heading 8712.00.00" immediately after the word "bicycle";

(c) deleting paragraph (f) and substituting therefor the following new paragraph-

(c) in paragraph 32 by inserting the words "of tariff heading 8507.60.00" immediately after the word "batteries";

(d) by deleting paragraph 35.

PART IV—EXCISE DUTY

34. Section 2 of the Excise Duty Act is amended by inserting the following new definition in proper alphabetical sequence— Amendment of the section 2 of Cap. 472.

"antique, vintage or classic vehicle" means a motor vehicle whose year of first registration is at least thirty years before the date of purchase of the motor vehicle and whose value is at least ten million shillings exclusive of depreciation.

35. Section 29 of the Excise Duty Act is amended in subsection (1) by inserting the following new paragraph immediately after paragraph (b) — Amendment of section 29 of Cap. 472.

(c) the excise duty has been paid in respect of inputs used by a licenced or registered manufacturer to manufacture excisable goods otherwise exempt under Paragraph 12 of Part A of the Second Schedule, where the inputs are directly attributable to the manufactured goods.

36. The First Schedule to the Excise Duty Act is amended— Amendment of the First Schedule to Cap. 472.

(a) in Part I, in the second table—

(i) in the description "Imported gas cylinders" by inserting the following words "of tariff code 7311.00.10" immediately after the words "gas cylinder"

(ii) by deleting the description "fruit juices (including grape must) and vegetable juice, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter" and the corresponding rate of excise duty;

(iii) in the description "bottled or similarly packaged waters and other non-alcoholic beverages, not including fruit or vegetable juices", by deleting the words "bottled or similarly packaged waters and other" appearing immediately before the words "non-alcoholic beverages, not including fruit or vegetable juices";

(iv) in the description "cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes" by deleting the corresponding rate of excise duty and substituting therefor the new rate of excise duty —

"KSh. 18,000 per kilogram";

(v) in the description "other manufactured tobacco and manufactured tobacco substitutes; "homogenous" and "reconstituted tobacco"; tobacco extracts and essences" by deleting the corresponding rate of excise duty and substituting therefor the following new rate of excise duty—

"KSh. 12,550 per kilogram";

(vi) in the description "imported sugar excluding by a registered pharmaceutical manufacturer and raw sugar imported for processing by a licensed sugar refinery" by deleting the corresponding rate of excise and substituting therefor the following new rate of excise duty—

"KSh. 40.00 per kilogram"

(vii) by deleting the description "imported articles of plastic of tariff heading 3923.30.00" and the corresponding rate of excise duty;

(viii) in the description "imported ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures of tariff heading 6910" by deleting the corresponding rate of excise duty and substituting therefor the following new rate of excise duty—

"5% of the excisable value or KSh. 50 per kilogram, whichever is higher;

(ix) by deleting the description "imported articles of plastic of tariff heading 3923.30.00 and 3923.90.00" and the corresponding rate of excise duty;

(x) in the description of " Imported ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics of tariff 6907" by deleting the corresponding rate of excise duty and substituting therefor the following new rate of excise duty—

"5% of the excisable value or KSh. 50 per kilogram, whichever is higher;"

(xi) in the description "Imported Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked of tariff 7005 but excluding those imported by a registered processor upon the recommendation by the Cabinet Secretary responsible for matter relating to industry and those originating from East African Community Partner States that meet the East African Community Rules of Origin, by deleting the words "and those originating from East African Community Partner States that meet the East African Community Rules of Origin";

(xii) in the description "spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages" by deleting the corresponding rate of excise duty and substituting therefor the following new rate of excise duty—

"KSh. 80 per litre"

(xiii) by inserting the following new tariff descriptions and corresponding rates of excise duty—

Tariff Description	*Rate of excise duty*
Imported Articles of plastic of tariff heading 3923.30.00 and 3923.90.90	10%
Antique, vintage and classic vehicles	50% of the excisable value
Fruit juices (including grape must) and vegetable juice, unfermented and not containing added spirit.	KSh. 14.14 per litre
Fruit juices (including grape must) and vegetable juice, unfermented, containing added sugar or other sweetening matter and not containing added spirit	KSh. 20 per litre
Imported MDF of tariff number 4411.12.00, 4411.13.00, 4411.14.00, 4411.92.00, 4411.93.00, 4411.94.00	30% of the excisable value
Imported particle boards of tariff number 4410.11.00, 4410.19.00, 4410.90.00	30% of the excisable value

Imported Block board of tariff number 4412.51.00, 4412.52.00, 4412.59.00, 4412.91.00, 4412.92.00, 4412.99.00	30% of the excisable value
Imported Plywood of tariff number 4412.10.00, 4412.31.00, 4412.33.00, 4412.34.00, 4412.39.00	30% of the excisable value
Imported timber of tariff number 4407.19.00	30% of the excisable value
Imported unprinted banner sheeting, flex banner and unprinted PVC sheeting of tariff 3921.12.10 and 3921.90.10	KSh. 200 per kilogram or 35% of the excisable value
Imported shower heads (whether or not fitted with heating elements) including fully assembled units designed for domestic or commercial use of tariff heading 8516.10	35% of the excisable value
Imported heating elements used exclusively in the manufacture of shower heads of tariff heading 8516.10	35% of the excisable value
Oral smokeless tobacco products (Swedish-style snus) being processed tobacco intended for placement in the mouth and not intended for smoking, combustion or heating	KSh. 2000 per kilogram.
Unprinted plastic sheets of tariff number 3920.43.10	10% of the excisable value
Pre-personal chip modules of tariff number 8542.31.00	10% of the excisable value

(b) in Part II —

(i) in paragraph 4A, by deleting the words "into a customer's betting wallet" appearing immediately after the word "deposited" and substituting therefor the words "for betting purposes";

(ii) by deleting the proviso to paragraph 4A;

(iii) in paragraph 4B, by deleting the words "into a customer's betting wallet" appearing immediately after the word "deposited" and substituting therefor the words "for gambling purposes";

(iv) by inserting the word "service" immediately before the word "providers" appearing in paragraph 9;

(c) in Part III—

(i) by deleting the definition of "amount deposited into a customer's betting wallet";

(ii) by inserting the following new definitions in proper alphabetical sequence—

"amount deposited" means the total value of money or money's worth paid, transferred, credited, or otherwise made available for betting or gambling purposes to a person who has been issued a licence under the Gambling Control Act, whether provided by a player or the operator, whether in cash or cash equivalents, whether or not such amount is held in an account operated by a player, operator or licensed person, or converted into chips, tokens, tickets, credits, or similar instruments;

"virtual asset" has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025; No. 20 of 2025.

"virtual asset service provider" has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025.

Amendment of the Second Schedule to Cap. 472.

37. The Second Schedule to the Excise Duty Act is amended in Part A, by inserting the words "National Intelligence Service" immediately after the words "Kenya Defence Forces" appearing in paragraph 11.

PART V—TAX PROCEDURES

Amendment of section 3 of Cap. 469B.

38. Section 3 of the Tax Procedures Act is amended in subsection (1)—

(a) by deleting the definition of "certificate of origin";

(b) by inserting the following new definitions in proper alphabetical sequence—

"virtual asset" has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025; No. 20 of 2025.

"virtual asset service provider" has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025.

Insertion of a new section 6C in Cap. 469B.

39. The Tax Procedures Act is amended by inserting the following new sections immediately after section 6B—

Virtual asset service providers to file information returns.

6C. (1) Each virtual asset service provider shall file an information return with the Commissioner in respect of all the virtual-asset users with which it maintains a relationship in every calendar year and that are identified as reportable users or as having controlling persons that are reportable persons.

(2) The information return under this section shall contain only such information as is necessary, relevant and proportionate for the purposes of compliance with this Act and any agreement entered into under section 6D, and shall be collected, processed, retained and disclosed in accordance with the Data Protection Act. Cap. 411C

(3) A virtual asset provider shall be required to file the information return under subsection (1) if the virtual asset service provider provides a service that effectuates exchange transactions or making available a trading platform on behalf of a customer, and includes acting as a counterparty, or as an intermediary, to the exchange transactions.

(4) A person who makes a false statement in an information return under subsection (1) commits an offence and shall be liable on conviction to a fine of one hundred thousand shillings for each false

statement, or imprisonment for a term not exceeding three years, or to both.

(5) A person who omits any information required to be included in an information return under subsection (1), shall be liable to a penalty of one hundred thousand shillings for each omission.

(6) A person shall not be liable under subsection (4) or (5) where the information required to be included in an information return under subsection (1) is in respect of another person and a reasonable effort was made by the person to obtain the information from that other person.

(7) A virtual asset service provider that fails to file an information return or a "nil" information return when required under subsection (1) shall be liable to pay a penalty of one million shillings for each failure.

Agreements for the automatic exchange of information with other countries on virtual asset transactions.

6D. (1) Kenya may enter into an agreement with another country for the automatic exchange of information relating to transactions involving virtual assets.

(2) An agreement under subsection (1) shall provide for the exchange of information relating to—

(a) information returns filed under section 6C (1);

(b) due diligence reporting and record keeping obligations prescribed under this section;

(c) the virtual asset users with which a virtual asset service provider maintains a relationship in every calendar year and that are identified as reportable users or as having controlling persons that are reportable persons;

(d) nil return filings by virtual asset service providers who do not maintain a relationship with virtual asset users that are identified as reportable users or as having controlling persons that are reportable persons; and

(e) arrangements or practices by virtual asset service providers, the main purpose or one of the main purposes of which can reasonably be considered to be to avoid obligations imposed under this Act.

(3) The information exchanged pursuant to an agreement under this section shall—

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(a) be in accordance with the Data Protection Act; and

(b) be limited to information that is necessary, relevant and proportionate for the purposes specified in the applicable agreement.

(4) The Commissioner shall not exchange information under this section unless he is satisfied that the receiving jurisdiction maintains adequate legal, technical and organisational safeguards for the protection of personal information.

(5) The Commissioner shall maintain a record of all disclosures made under this

section, including the receiving jurisdiction, date of disclosure, legal basis of disclosure and categories of information disclosed.

(6) In this section—

"information return" means a report, setting out prescribed information which a reporting virtual-asset service provider is required to file with the Commissioner.

(7) The Cabinet Secretary may make regulations necessary for the implementation of this section.

40. Section 10 of the Tax Procedures Act is amended by inserting the following new subsections immediately after subsection (8)— Amendment of section 10 of Cap. 469B.

(9) Where a person who was deregistered under this section qualifies for registration under section 8, the person shall apply to the Commissioner for reinstatement of the registration.

(10) The Commissioner shall notify the person in writing of the decision regarding reinstatement of registration within ninety days of receiving the application for reinstatement of registration.

(11) Where the Commissioner is satisfied that the applicant under subsection (9) is liable for tax under a tax law, the Commissioner shall register the person and issue the person the same PIN that had been issued to the person prior to the deregistration.

41. Section 12 of the Tax Procedures Act is amended by inserting the following new subsection immediately after subsection (5A)— Amendment of section 12 of Cap. 469B.

(5B) A non-resident person shall be exempt from the requirement of a PIN when opening an account with an investment bank and financial institutions.

42. The Tax Procedures Act is amended by inserting the following new section immediately after section 18— Insertion of new section 18A to Cap. 469B.

Tax avoidance schemes.

18A. (1) Where the Commissioner determines in accordance with the information obtained under subsection (2) that—

(a) a person has entered into or carried out a tax avoidance scheme;

(b) a person has obtained a tax benefit in connection with the scheme; and

(c) the purpose of enabling the person referred to in paragraph (b) is to obtain a tax benefit,

the Commissioner may determine the tax liability of the person who obtained the tax benefit as if the scheme had not been entered into or carried out.

(2) The Commissioner shall rely on—

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(a) information submitted to the Commissioner under section 35(5) of the Income Tax Act;

(b) the accounting of tax deducted under section 37(1) of the Income Tax Act;

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(c) information submitted to the Commissioner under section 5A of the Kenya Revenue Authority Act;

(d) information submitted through the electronic system established under section 23A;

(e) information submitted to the Commissioner under section 24A;

(f) information obtained from the inspection of goods and records conducted under section 58;

(g) information obtained from the auditing of the records produced under section 59;

(h) information submitted to the data management and reporting system established under section 59A; or

(i) information submitted to the Commissioner under any other written law, to make a determination under subsection (1).

(3) The Commissioner shall issue to the person referred to in subsection (1) (b) an assessment of the tax liability determined under subsection (1) within five years from the last day of the tax period to which the tax liability relates.

(4) The Commissioner shall issue to the person referred to in subsection (1) written reasons for the determination made under subsection (1) within thirty days of the determination.

(5) A taxpayer may apply to the Commissioner for a private ruling for complex transactions and sections 65, 66, 67 and 68 of this Act shall apply.

(6) In this section—

"scheme" includes a course of action, and an agreement, arrangement, promise, plan, proposal, or undertaking, whether express or implied, and whether or not legally enforceable; and

"tax benefit" means –

(a) a reduction in the liability of a person to pay tax;

(b) an increase in the entitlement of a person to a deduction for input tax;

(c) an entitlement to a refund;

(d) a postponement of a liability for the payment of tax;

(e) an acceleration of an entitlement to a deduction for input tax;

(f) any other advantage arising because of a delay in payment of tax or an acceleration of the entitlement to a deduction for input tax;

(g) anything that causes a taxable supply or taxable import not to be a taxable supply or taxable import, as the case may be; or

(h) anything that gives rise to a deduction for input tax for an acquisition or import that is used or is intended to be used other than in making taxable supplies.

Insertion of new 23B section in Cap. 469B.

43. The Tax Procedure Act is amended by inserting the new section immediately after section 23A —

Production of Export Declaration for imported goods.

23B. (1) A person who imports, or claims to have imported goods into Kenya shall obtain and retain an export declaration, export entry, custom export certificate or such other customs document issued by the competent authority in the country of export evidencing the lawful exportation of the goods from that country.

(2) The export declaration or such other document referred to in subsection (1) shall contain such particulars as may be prescribed including–

(a) the name and address of the exporter;

(b) the name and address of the importer;

(c) a description of the goods exported;

(d) the quality, value and tariff classification of the goods;

(e) the country of export and country of destination;

(f) the date of exportation; and

(g) the reference number assigned by the customs authority of the country of export.

(3) An importer shall retain the export declaration and supporting documents for a period of five years from the date of importation and shall produce the documents upon request by the Commissioner.

(4) Where an importer fails to produce an export declaration or other satisfactory evidence of exportation from the country of origin or export, the Commissioner may—

(a) reject any claim relating to the importation, value, origin, cost or ownership of the goods;

(b) determine the customs value, tax liability or any claim for deduction, exemption, refund or relief on the basis of the information available to the Commissioner; and

(c) impose such administrative penalties as may be prescribed.

(5) The Commissioner may waive the requirement for production of an export declaration where the customs administration of the country of export does not issue export declarations for the category of goods.

(6) The Cabinet Secretary may make regulations to provide for the form, manner of production, categories of acceptable export declarations and equivalent customs documents for purposes of this section.

44. The Tax Procedures Act is amended by inserting the following new section immediately after section 29— Insertion of a new section 29A of Cap. 469B.

Commissioner to issue an assessment.

29A. (1) The Commissioner may, in accordance with the information obtained in accordance with subsection (2), issue an assessment on the income of a person as he may deem necessary.

(2) The Commissioner shall rely on—

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(a) the information submitted to the Commissioner under section 35(5) of the Income Tax Act;

(b) the accounting of tax deducted under section 37(1) of the Income Tax Act;

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(c) the information submitted to the Commissioner under section 5A of the Kenya Revenue Authority Act;

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(d) the information submitted to the electronic system established under section 23A of the Tax Procedures Act;

(e) the information submitted to the Commissioner under section 24A;

(f) the information obtained from the inspection of goods and records conducted under section 58;

(g) the information obtained from the auditing of the records produced under section 59;

(h) the information submitted to the data management and reporting system established under section 59A; or

(i) the information submitted to the Commissioner under written law,

to issue an assessment under subsection (1).

(3) The Commissioner may request the taxpayer to provide the relevant information in writing at least thirty days before issuance of an assessment under subsection (1).

(4) The taxpayer may object to an assessment under this section in accordance with section 51 of this Act.

Amendment of section 37E of Cap. 469B.

45. Section 37E of the Tax Procedures Act is amended—

(a) in subsection (1), by deleting the expression "31st December, 2023" appearing immediately after the words "due before the" and substituting therefor the expression " 31st December, 2025";

(b) in subsection (2), by deleting the expression "31st December, 2023" appearing immediately after the words "paid before the" and substituting therefor the expression "31st December, 2025";

(c) in subsection (3)—

(i) in paragraph (a), by deleting the expression "31st December, 2023" appearing immediately after the words "up to the" and substituting therefor the expression "31st December, 2025";

(ii) in paragraph (b), by deleting the expression "30th June, 2025" appearing immediately after the words "later than the" and substituting therefor the expression` "31st December, 2026";

(d) in subsection (4)—

(i) by deleting the expression "31st December, 2023" appearing immediately after the words "as on the" and substituting therefor the expression "31st December, 2025";

(ii) by deleting the expression "30th June, 2025" appearing immediately after the words "unpaid on the" and substituting therefor the expression "31st December, 2026".

Insertion of new section 39B in Cap. 469B

46. The Tax Procedure Act is amended by inserting the new section immediately after section 39 A—

Collector to recover unpaid amount under other laws

39B. (1) Notwithstanding the provisions of any other written law, where the Commissioner is the Collector of a fees, levy or charge under any other written law, the Commissioner may recover any unpaid amount of the fee, levy or charge as if it was an unpaid tax under a tax law.

(2) Subject to sub-section (1), where the amount of the unpaid fee, levy or charge does not exceed one hundred thousand shillings it shall be recoverable summarily.

Amendment of section 75 of Cap. 469B.

47. Section 75 of the Tax Procedures Act is amended by adding the following new section immediately after subsection (2)—

(3) The Commissioner may use the information technology contemplated under subsection (1) to generate a prepopulated tax return on behalf of a person required to submit or lodge a tax return.

(4) The Commissioner shall notify the person that a pre-populated return has been issued under sub-section (3).

(5) The pre-populated return issued under subsection (3) shall be issued on or before end of January of each year of income to the person required to submit or lodge a return.

(6) A person who is issued with a pre-populated return under subsection (3) may confirm or amend the pre-populated the return.

(7) A person shall confirm or amend the pre-populated return within two months from the date the pre-populated return is issued by the Commissioner.

(8) A person required to submit or lodge a tax return may rely on the pre-populated return generated by the Commissioner under subsection (3) to submit or lodge the return.

Repeal and replacement of section 86 of Cap. 469B.

48. The Tax Procedures Act is amended by repealing section 86 and replacing it with the following new section—

Failure to comply with electronic tax system.

86. (1) Where the Commissioner determines that a taxpayer has failed to comply with the requirement under a tax law to issue an electronic tax invoice, submit a tax return in electronic form, or pay tax electronically pursuant to section 75, the Commissioner shall issue a notice in writing to the taxpayer requiring the taxpayer to provide reasons for the non-compliance.

(2) Upon receipt of the response of the taxpayer as required under subsection (1), the Commissioner shall consider whether—

(a) the failure to comply arose from circumstances beyond the reasonable control of the taxpayer;

(b) the failure to comply was not due to the wilful neglect or deliberate default of the taxpayer; and

(c) the taxpayer took reasonable steps to comply with the relevant requirement as soon as practicable.

(3) Where the Commissioner is not satisfied by the reasons given under subsection (2), the taxpayer shall be liable to pay the higher of the following penalties—

(a) five percent of the tax due;

(b) one hundred thousand shillings, in the case of a company; or

(c) in the case of an individual, ten thousand shillings.

49. Section 89 of the Tax Procedures Act is amended— Amendment of section 89 of Cap. 469B.

(a) in subsection (5A)—

(i) in paragraph (c), by deleting the words "due to a malfunction of an electronic tax system" appearing immediately after the word "interest";

(ii) by inserting the following new paragraph immediately after paragraph (c)—

(ca) a malfunction of an electronic tax system;

(b) by inserting the following new subsection immediately after subsection (5A)—

(5B) Despite subsection (5A), the Commissioner may waive the whole or part of any penalty or interest imposed under this Act where the liability to pay the penalty or interest does not exceed two million shillings and was due to an error generated by an electronic tax system.

Amendment to section 112 of Cap. 469B.

50. Section 112 of the Tax Procedures Act is amended in subsection (2) by inserting the following new paragraph immediately after paragraph (b)—

(ba) the procedure for the submission or lodging of returns based on pre-populated tax returns generated by the Commissioner.

PART VI—MISCELLANEOUS FEES AND LEVIES

Amendment of section 9 of Cap. 469C.

51. Section 9 of the Miscellaneous Fees and Levies Act is amended by deleting the words "import declaration fee, railway development levy and export levy" appearing immediately after the words "payment of" and substituting therefor the words "the fees and levies imposed under Part III".

Amendment of the Second Schedule to Cap. 469C.

52. The Second Schedule to the Miscellaneous Fees and Levies Act is amended—

(a) in Part A—

(i) by deleting paragraph (xv) and substituting therefor the following new paragraph—

(xv) all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00;

(ii) by inserting the following new paragraph immediately after paragraph (xxxii)—

(xxxiii) Goods used in the construction of liquefied petroleum gas storage tanks and related infrastructure:

Provided that the investment in the construction of liquefied petroleum gas storage tanks and related infrastructure in Kenya amounts to at least five billion shillings and has been recommended by the Cabinet Secretary responsible for matters relating to energy.

(b) in Part B—

(i) by deleting paragraph (xiii) and substituting therefor the following new paragraph—

(xiii) all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00;

(ii) by inserting the following new paragraph immediately after paragraph (xviii)—

(xix) Goods used in the construction of liquefied petroleum gas storage tanks and related infrastructure:

Provided that the investment in the construction of liquefied petroleum gas storage tanks and related infrastructure in Kenya amounts to at least five billion shillings and has been recommended by the Cabinet Secretary responsible for matters relating to energy.

PART VII—AFFORDABLE HOUSING

Amendment of section 11 of No. 2 of 2024.

53. Section 11 of the Affordable Housing Act is amended in sub-section (4) by deleting paragraph (a) and substituting therefor the following new paragraph—

(a) up to two (2%) percent of the monies to the collector for the collection of the Levy as may be approved by the Cabinet Secretary for the time being responsible for the National Treasury on the recommendation of the Cabinet Secretary

PART VIII—STAMP DUTY

Amendment to section 96A of Cap. 480.

54. Section 96A of the Stamp Duty Act is amended in subsection (1) by inserting the following new paragraph immediately after paragraph (b)—

(c) that the effect thereof is to convey or transfer a beneficial interest in property from a person or persons to the real estate investment trust.

PART IX—ROAD MAINTENANCE

Amendment of section 3 of Cap 427.

55. Section 3 of the Road Maintenance Levy Fund Act is amended in subsection (2) by deleting the words "three shillings" and substituting therefor the words "one shilling and fifty cents.