Withholding Income Tax

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Tulipe Ushuru, Tujitegemee!

This is a method of tax collection whereby a payer of certain incomes deducts tax upon payments of certain incomes to payees and then remits the tax so deducted to the Commissioner of Domestic Taxes Department on or before the 20th day of the following month.

The rate of deduction varies depending on the type of incomes payable and the residency status of the payee as provided in the table below.

Type of incomes	Resident	Non Resident
Artists and entertainers	-	20%
Management fees	5%	20%
Professional fees	5%	20%
Training fess (inclusive of incidental costs)	5%	20%
Winnings from betting and gaming (w.e.f. 1 Jan 2014)	20%	20%
Royalties	5%	20%
Dividends (nil for resident shareholders with>12.5%)	10%	15%
Equipment (movable) Leasing	N/A	5%
Interest (Bank)	15%	15%
Interest (Housing Bond HBI)	10%	15%
Interest on two year government bearer bonds	15%	15%
Other bearer bonds interest	25%	25%
Rent - buildings (immovable)	10%	30%
Rent - others (except aircraft)	N/A	15%
Pensions/provident schemes (withdrawal)	10 - 25%	5%
Insurance Commissions - brokers Insurance Commissions - Others	5% 10%	20%
Consultancy and agency(from 1 July 2003)	5%	20%
Contractual and agency (from 1 July 2003)	3%	20%
Telecommunication services/Message transmission	-	5%
Natural Resource Income (w.e.f. 01/01/2015)	5%	20%

Withholding Tax payment

- The payer of any of above incomes is responsible for deducting tax at source from payments made and remitting the deducted tax to KRA.
- Any amount withheld, should be remitted to KRA on or before the 20th day of the following month.

- Payment of withholding tax is done online via iTax by generating a payment slip and presenting it at any of the appointed KRA banks to pay the tax due.
- After successfully remitting the deducted amount to KRA, a Withholding Certificate shall be sent to the email registered on iTax by the taxpayer.

Compliance

- The penalty for late payment is 5% of the tax due.
- Withholding tax is usually not a final tax. One is required to declare the income and the withholding tax certificates upon filing individual tax returns and pay any tax due.

Withholding Tax Exemptions

These include;

- Dividends received by a company resident in Kenya from a local subsidiary or associated company in which it controls (directly or indirectly) 12.5% or more of the voting power.
- Marketing commissions and residue audit fees paid to non-resident agents in respect of export of flowers, fruits and vegetables.
- Interest payments to financial institutions stated in the fourth schedule of the Income Tax Act.
- Payments made to tax exempt bodies.
- Local management and professional fees whose aggregate is below Ksh 24,000 in a month.
- Air travel commissions paid by local air operators to non-resident agents.

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