

*Pay As You Earn
(PAYE)*



www.kra.go.ke

 @KRACare  Kenya Revenue Authority  Kenya Revenue Authority  Kenya Revenue Authority



**KENYA REVENUE
AUTHORITY**

Tulipe Ushuru, Tujitegeme!

PAYE AS YOU EARN (PAYE)

PAYE is a system of tax collection whereby employers are required to deduct tax from the employment income of their employees and remit the tax to the Kenya Revenue Authority.

Employment income, also referred to as emoluments, includes: wages, salary, leave pay, sick pay, payment in lieu of leave, fees, commission, bonus, gratuity, or subsistence, travelling, entertainment or other allowance received in respect of employment or services rendered.

An employer is any resident person responsible for the payment of emoluments to an employee, an agent, manager or other representative so responsible in Kenya on behalf of a non-resident employer

Who is eligible for PAYE registration?

Any person who makes pays emoluments to an employee(s) is required to register for the PAYE obligation, upon which the person is required to:

- Deduct tax from the employee(s) emoluments
- Remit the tax deducted to the Kenya Revenue Authority

Income Tax Individual Tax Rates

For computing tax for purposes of PAYE, an employer is required to apply the Individual Income Tax Rates (Bands) that ranges range from 10% to 30% as tabulated below (effective 1st January 2021);

Monthly Pay Bands (Ksh.)	Annual Pay Bands (Ksh.)	Rate of Tax (%)
0-24,000	0-288,000	10
24,000-32,333	288,000-388,000	25
Above 32,333	Above 388,000	30
Personal Tax Relief		
2,400	28,800	

PAYE Due Date

Employers are required to deduct tax (PAYE) from their employees' emoluments at the prevailing Individual Income Tax Rates and remit the amounts deducted to KRA on or before the 9th day of the following month.

Non Cash Benefits Chargeable to Tax

Gains or profits from employment that are not paid in cash are chargeable to tax. Such gains or benefits include:

- Where an employee is provided with a motor vehicle by his employer i.e. car benefit
- Provision of housing by the employer
- Loans at interest rates that are lower than the prevailing market rate
- Household utilities – including telephone, electricity, water, security, domestic expenses in excess of the allowable limit of Kshs 3,000 per month.
- Pension contribution paid by a tax exempt employer to an unregistered scheme.
- Pension contribution paid by an employer to a registered or unregistered scheme in excess of the allowable amount of Kshs 20,000 or Kshs 240,00 per year.

Employment Income not Chargeable to PAYE

- Meals provided by the employer up to a maximum of Ksh 4,000 per month or Kshs. 48,000 per year.
- Night-out of Kshs. 2,000 per day
- Amounts that are mere reimbursement of expenses e.g. subsistence allowance on official duty (per diems) or mileage allowance are not considered taxable pay.
- Medical Cover by employer
- In the case of non-Kenyan citizens who are in Kenya solely to serve the employer, expenditure on passages between Kenya and any place outside Kenya borne by the employer.
- Pension contribution made by an employer, who is a person chargeable to tax, to a registered or unregistered scheme that is within the allowable limit of Ksh 20,000 per month or Ksh 240,000 per year.

Employment Income not Chargeable to PAYE

- Pension contribution made by a tax exempt employer to a registered scheme that is within the allowable limit of Ksh 20,000 per month or Ksh 240,000 per year.
- An amount paid by an employer as gratuity or similar payment in respect of employment or services rendered, which is paid into a registered pension scheme:
- education fees of employee's dependants or relatives paid from income which has already been taxed in the hands of the employer;

Allowable deductions

These are the amounts are deducted from an employee's emoluments in order to arrive at the amount which will be subjected to tax

1. **Mortgage Interest Deduction** - Interest paid on an amount borrowed from the first five financial institutions specified in the fourth Schedule of the Income Tax Act, either for the purchase or improvement of premises occupied for residential purposes is deductible against employment income, up to a maximum of Kshs 300,000/- per annum.
2. **Pension contributions by an employee to a registered pension fund** - The allowable deduction is limited to a maximum of Ksh 20,000 per month.

Tax Reliefs

1. Personal Relief

- Personal Relief is granted to resident individuals.
- It is meant to lighten the tax burden on the taxpayer.
- It is currently set at Kshs 2,400 or Kshs 28,800 per year.

2. Insurance Relief

- Insurance relief is granted to an employee who has paid insurance premiums for life or health or education policies for himself, his wife or child.
- Relief is given at 15% of premiums paid up to a maximum of Kshs 60,000 per annum.
- For education and health, the policy has a maturity period of at least 10 years.
- From 1st January 2022, contributions to National Hospital Insurance Fund (NHIF) qualify for insurance relief.

Example of PAYE Computation

Gross Income from Employment (Per Month)	115,000.00
Less allowable Deductions:	
Mortgage Interest	15,000)
Pension Contribution by Employee	(5,000) (20,000.00)
Taxable Pay	95,000.00
Tax Computation	
First kshs. 24,000 @10%	2,400.00
Next kshs. 8,333 @25%	2,083.25
Above kshs. 32,333 @30%	
(95,000-24,000,8,333) = 30%*62,667	18,800.10
Tax on taxable pay before relief	23,283.35
Less:	
Monthly Personal Relief	2,400)
Insurance Relief	0
Tax Payable (PAYE)	20,883.35

PAYE Return Filing

- At the end of the month an employer is required to compile a list of all the employees from whom he has deducted tax and submit the information to the Commissioner via a PAYE Return.
- PAYE returns are submitted online via iTax.
- If you have no PAYE to declare, you are required to submit a nil return.
- Log in to iTax itax.kra.go.ke using your KRA PIN and password, click on Returns tab and select File Return option.
- Select the tax obligation as Income Tax - PAYE then click on next.
- Download the Excel return form, fill appropriately and click on '**VALIDATE**' at the end of the **Sheet N_ Tax Due**.
- The system will create a zipped file, which is found in the Documents folder.
- Log back to your iTax profile. Under "Returns" tab, select "File Return", Upload the zipped return in the "Upload Form" section, Agree to the Terms and Conditions by marking the check box then click on submit..
- You will receive an acknowledgement receipt to confirm successful filing of your PAYE return.

Step by step procedure for PAYE Payment

- Login to iTax using your PIN and password.
- Click on Payments tab, select Payment Registration.
- Select Tax head as Income Tax.
- Select Tax Subhead as Income Tax- PAYE.
- Select Payment Type as Self-Assessment.
- Select Tax Period.
- Select the liability and click on add.
- Select Mode of Payment as Other Payment Mode or RTGS.
- Click on the submit button.

The system will generate a Payment slip which you will download and use to make the payment. A copy of the payment slip is sent to the taxpayer's registered email address.

Make Payment through any of the following methods

1. The bank using the Payment slip generated by the system.
2. M-PESA by using the Paybill number 572572, Account number is the Payment Registration Number, enter amount, MPESA PIN, press OK to complete the payment.
3. Debit/Credit Card: Fill in the details in the fields marked with an asterisk and submit.

Penalties

The due date for filing a PAYE return and payment of the taxes deducted from employees is 9th of the following month. Where an employer does not observe the due dates, the penalties below shall apply:

i. Late filing

- The higher of 25% of the tax due or Kshs. 10,000.

ii. Late Payment

- Penalty of 5% of the tax due; and
- Late payment interest at 1% interest per month or part of a month on the unpaid tax until the tax is paid in full.





Tel: +254 (020) 4 999 999, +254 (0711) 099 999 | Email: callcentre@kra.go.ke

