



## **STEP BY STEP GUIDE FOR FILING OF THE SIMPLIFIED PAYE RETURN**

### **1.1 Introduction**

The Kenya Revenue Authority (KRA) is in the process of simplifying the PAYE return filing and payment process as part of its 9<sup>th</sup> Corporate Plan's strategic objective to streamline tax processes and align with best practices.

Phase One of the initiative was completed. It simplifies the PAYE return process (piloted for May and June 2025 returns) and integrates with the government human resource information system, IFMIS, and CBK via an API for seamless filing and payment of PAYE, Affordable Housing Levy, NITA Levy, and other statutory labour-related deductions and contributions.

The full rollout to all employers to file using the offline Excel simplified PAYE return was the July 2025 PAYE return. Employers are encouraged to access the simplified PAYE return through their taxpayer profile or through the link <https://www.kra.go.ke/publications> to align their payroll processes and prepare for the change. Sample CSVs are also available on the KRA Website using the above link.

The following are the benefits of the simplified PAYE return;

- ❖ Enhanced User Experience
- ❖ Improved Convenience
- ❖ Enhanced Compliance
- ❖ Align with best practice

### **2.0 Filing process Basic Information Sheet A**

1. Capture the necessary basic information details as follows:
  - The PIN
  - The return type, whether original or amended
  - Entity type, whether head office or branch
  - Period from and period to
  - Whether you have to declare gratuity, fringe benefit, lump sum, or arrears.



A		B	C
KENYA REVENUE AUTHORITY		Simplified Unified Payroll Return	
Section A : Return Information			Version 30.0.0
Employer's Personal Identification Number *			
Number *		P012345678L	
Type of Return *			
Type of Return *		Original	
Entity Type *			
Entity Type *		Head Office	
Return Period From *			
Return Period From *		01/05/2025	
Return Period To *			
Return Period To *		31/05/2025	
Do you have Lumpsum/Gratuity/Arrears/Fringe Benefit Tax?			
Do you have Lumpsum/Gratuity/Arrears/Fringe Benefit Tax?		No	
NEXT			

## Employee Details Sheet B

- Fill in the details of the employee, i.e. the PIN, Name, Resident status, and select if they are a Person with Disability (PWD).
- Cash allowances of basic allowance, house allowance, transport allowance, leave pay, overtime allowance, director's fee, lump sum pay if any, and other allowances have been collapsed to one field called **Total Cash Pay**.

PIN of Employee	Name of Employee	Resident Status	Type of Employee	Persons With Disability (PWD)	Exemption Certificate Number	Total Cash Pay (A)
A012345678A	Abcd Otieno	Resident	Primary Employee	Yes	KRAPWD0123456789	200,000.00
A018765432Z	Xyz Smith	Non-Resident	Primary Employee	No		250,000.00
A056789234P	Bcde Kirui	Resident	Secondary Employee	No		100,000.00

- Capture the Value of the Car Benefit as calculated in your payroll. You can also use the old template sheet D, where applicable.
- Capture Value of Meals. If the amount is above Kshs. 5,000 per month, the incremental amount will be taxed on the employee.
- Capture Value of Non-cash benefits. If the amount is above Kshs. 5,000 per month, the full amount is taxed on the employee.
- Capture the Value of Housing as calculated in your payroll.
- Capture Other benefits column to cater for unique scenarios like employees who are being provided with water, electricity, 30% private cost for non-cash telephone benefits, excess pension for employees working for tax-exempt employers, etc.

Non Cash Benefits (Ksh)			Housing Benefit (Ksh)		Other Benefits (G)	Total Gross Pay (Ksh) (H) = (A + B + C + D + F + G)
Value of Car Benefit (B)	Value of Meals(C)	Non Cash Benefits (D)	Type of Housing	Housing Benefit(F)		
0.00	10,000.00	0.00	Employer's Owned House	100,000.00	1,000.00	306,000.00
100,000.00	15,000.00	0.00	Benefit not given		1,000.00	361,000.00
0.00	5,000.00	0.00	Benefit not given		1,000.00	101,000.00

- SHIF is 2.75% of the gross pay. The amount will be calculated offline, then filled.



10. Fill the NSSF and any other employee pension contribution. The allowable deduction for pension will be a maximum of Kshs. 30,000 for both NSSF and other pension contributions.
11. Post Retirement Medical Fund (PRMF) will have an allowable benefit of up to Kshs. 15,000 per month.
12. Mortgage interest relates to owner-occupier house up to a maximum of Kshs. 30,000.
13. Affordable Housing Levy (AHL) is to be calculated at 1.5% of the gross pay, then captured in the return.

Allowable Deductions (Ksh)						Taxable Pay (Ksh) (O) = (G-H-(I+J Max 30k)-(K Max 15k)-(L Max 30k)-N-PWD)
Social Health Insurance Fund(SHIF)(I)	NSSF Contribution(J)	Other Pension Contribution (K)	Post Retirement Medical Fund(L)	Mortgage Interest (M)	Affordable Housing Levy(N)	
8,415.00	2,000.00	20,000.00	10,000.00	0.00	4,590.00	110,995.00
9,927.50			0.00	0.00	5,415.00	345,657.50
2,777.50	1,080.00	15,000.00	10,000.00	0.00	1,515.00	70,627.50

14. Capture personal relief of Kshs.K2,400 for the resident primary employees.
15. Insurance relief is for employees with insurance premiums deducted through payroll. Capture 15% of the insurance premium up to a maximum of Kshs. 5,000 per month
16. The self-assessed PAYE is for capturing the PAYE as per the employer's payroll. In case there are discrepancies between PAYE tax and self-assessed PAYE amounts, the employer should identify the root cause and take corrective action.

Taxable Pay (Ksh) (O) = (G-H-(I+J Max 30k)-(K Max 15k)-(L Max 30k)-N-PWD)	Monthly Personal Relief (Ksh) (P)	Amount of Insurance Relief (Total of "Amount of Insurance Relief" from E_Computation_of_Insu_Relief) (Ksh) (Q)	PAYE Tax (Ksh) (R) = (O - P - Q)	Self Assessed PAYE Tax (Ksh)(S)
110,995.00	2,400.00	1,000.00	24,681.85	24,682.00
345,657.50			98,480.60	98,481.00
70,627.50	0.00	0.00	24,719.63	24,719.00
<b>Total</b>			<b>147,882.08</b>	<b>147,882.00</b>

Employers with payroll systems can utilize the import CSV functionality where applicable.

### 17. Lump-sum Payments Sheet C

Sheet C opens after choosing Yes to the “Do you have lump sum, gratuity, or fringe benefit” question on the Basic info sheet. This is to be filled where applicable.

- i. Fill in the basic information of the employees



PIN of Employee	Name of Employee	Resident Status	Type of Employee	Persons With Disability (PWD)	Exemption Certificate Number
A012345678A	Abcd Otieno	Resident	Primary Employee	Yes	KRAPWD0123456789
A006789123E	Efgh Wafula	Resident	Secondary Employee	No	
A002347654B	Ikl Musyoka	Resident	Primary Employee	No	

- ii. This sheet caters for lump sum, gratuity/severance and arrears payments.
- iii. **Lump sum** has 3 categories:
- ❖ Specified term contract with compensation
  - ❖ Unspecified term contract with compensation
  - ❖ Unspecified term contract with no compensation

**Specified term contract with compensation**

Fill in the details of the contract term years, remaining years, and the lump sum amount.

**Unspecified term contract with compensation**

Fill in the details for lump sum amount and the current annual remuneration.

**Unspecified term contract with no compensation**

Fill in the lump sum amount which is spread forward for 3 years.

Lumpsum Payments Option	Contract Term Years	Remaining Term Years	Lumpsum Amount	Current Annual Remuneration	Spread Years	Spread Amount per Year (Spread not more than Lumpsum)	Lumpsum/Gratuity/Arrears Year
Specified Term Contract with Compensation (STC-COMP)	5	1	10,000,000.00		1	10,000,000	2024
Unspecified Term Contract with Compensation (USTC-COMP)			10,000,000.00	1,000,000.00	10	1,000,000	2024
Unspecified Term Contract with No Compensation (USTC-NOCOMP)			100,000,000.00		3	33,333,333	2024

- iv) The return will automatically calculate the amount of PAYE Tax Payable and allows the employer to capture self-assessed PAYE. In case there are discrepancies between the amount of PAYE Tax Payable and self-assessed PAYE amounts, the employer should identify the root cause and take corrective action.

Tax Deducted Per Year	Year	Month	Arrears Amount (A)	Taxable Pay for Specific Arrears Period (B)	Tax Payable (C) (A+B)	Tax Deducted on Taxable Pay (D)	Amount of PAYE Tax Payable (E) (C-D)	Self Assessed PAYE (F)
							3,029,400.00	3,029,400.00
							2,374,000.00	2,374,000.00
							33,388,200.00	
							<b>Total</b>	<b>38,991,600.00</b>
								<b>5,403,400.00</b>

Employers with payroll systems can utilize the import CSV functionality where applicable.



**18. Gratuity/Severance**

This is also broken into two categories:

- a) Transfer of gratuity to a registered pension scheme** – Employer will proceed as follows;
  - i. Select the year and monthly amount of the gratuity being transferred.
  - ii. Capture the Taxable Pay for the Period and excess gratuity above Kshs. 30,000, tax deducted from the taxable pay.
  - iii. The amount of PAYE Tax Payable will automatically be calculated and allow the employer to capture self-assessed PAYE. In case there are discrepancies between the Amount of PAYE Tax Payable and self-assessed PAYE amounts, the employer should identify the root cause and take corrective action.
- b) Gratuity payment to employee** – This covers gratuity/severance payment to employees where it is spread backwards up to a maximum of 5 years. Employer will proceed as follows;
  - i. Select the lump sum/gratuity/arrears year
  - ii. Capture the Gratuity Paid Lumpsum Amount and Gratuity Years
  - iii. Capture the taxable pay for the year
  - iv. Return will automatically calculate the Gratuity Spread and Taxable Pay
  - v. Capture the Tax Deducted Per Year
  - vi. Return will automatically calculate the Amount of PAYE Tax Payable
  - vii. Capture the Self-assessed PAYE

Type of Payment	Lumpsum Payments Option	Contract Term Years	Remaining Term Years	Lumpsum Amount	Current Annual Remuneration	Spread Years	Spread Amount per Year (Spread not more than Lumpsum)
Gratuity/Severance	Transfer of Gratuity to Registered Pension Scheme						
Gratuity/Severance	Gratuity Payment to Employee						

Lumpsum/Gratuity/Arrears Year	Gratuity Paid/Gratuity Transferred	Gratuity Years	Spread Per Year	Taxable Pay Per Year Excess gratuity	PAYE on Gratuity Spread and Taxable Pay	Tax Deducted Per Year
2025	100,000.00	1	100,000.00	70,000.00	45,783.35	20,000.00
2024	1,000,000.00	10	100,000.00	300,000.00	114,783.35	100,000.00

For a detailed explanation on the calculation of PAYE on gratuity as per the Finance Act 2025, kindly refer to the public notice on the KRA Website under News Centre, Public Notices as per the link - <https://www.kra.go.ke/news-center/public-notices/2246-guidance-on-tax-exemption-on-payment-of-gratuity>

**19. Arrears**

This arises where an employer increases the emoluments of an employee and back-dates their effective date, e.g, Collective Bargaining Agreements, other pay hikes, etc. The employer will proceed as follows;



- i. Select the type of payment as Arrears
- ii. Select the Year and Month under columns V and W.
- iii. Capture the arrears amount, taxable pay for the period, tax deducted on taxable pay, and the self-assessed PAYE. In case there are discrepancies between the Amount of PAYE Tax Payable and self-assessed PAYE amounts, the employer should identify the root cause and take corrective action.

Type of Payment	Lumpsum Payments Option	Contract Term Years	Remaining Term Years	Lumpsum Amount	Current Annual Remuneration	Spread Years
Arrears						

Year	Month	Arrears Amount (A)	Taxable Pay for Specific Arrears Period (B)	Tax Payable (C) (A*B)	Tax Deducted on Taxable Pay (D)	Amount of PAYE Tax Payable (E) (C-D)	Self Assessed PAYE (F)
2024	Feb	60,000.00	100,000.00	42,783.35	25,000.00	17,783.35	17,784.00
<b>Total</b>						17,783.35	17,784.00

## 20. Sheet D FBT – Fringe Benefit Taxes

- i. Fill the employee details – PIN, Loan Account Number, Loan Amount, Amount of Loan Outstanding
- ii. Capture the Rate of Interest on Loan and the Prescribed Market Interest Rate. Monthly rates.
- iii. Return will calculate the amount of Fringe Benefit Tax

Loan Account Number	Loan Amount (Ksh)	Amount of Loan Outstanding (Ksh) (A)	Rate of Interest on Loan (%) (B)	Interest on Loan (Ksh) (C)=(A)*(B)	Prescribed Market Interest Rate (%) (D)	Prescribed Market Interest (Ksh) (E) = (A)*(D)	Amount of Fringe Benefit Tax (Ksh) (F) = (E - C)	Amount of Fringe Benefit Tax (Ksh) (G) = (F) * 30%
BXF24567	4,000,000.00	350,000.00	1.0000000000	3,500.00	3.40	11,900.00	8,400.00	2,520.00
<b>Total</b>								2,520.00

## 21. Sheet E Tax Due

- i. The Tax Due will be prefilled with values from sheets B, C, and D.
- ii. Capture PAYE deducted from employees with no PIN under row 5, where applicable. Once the PIN is available, the employer will amend the return and move the PAYE to sheet B, mapped to the employee PIN. Employers should enhance their KYC procedures to ensure all employees being onboarded have valid PINs with an income tax obligation. Employees with a PIN with no obligation can't be declared in the PAYE return under sheet B.
- iii. Total Housing Levy Contribution picks from the total of the Sheet B column for Affordable Housing Levy (AHL) and adds the employer's contribution. For employees who have no PIN, hence not captured in Sheet B, the amount can be amended upwards to account for their AHL contribution and respective employer contribution.
- iv. NITA Levy auto calculates depending on the number of employees as captured under sheet B multiplied by Kshs. 50 per employee for both primary, secondary, resident and non resident employees. The amount can be amended upwards by



adjusting the number of employees to accommodate employees not captured in sheet B.

Section E : Calculation of Tax Due		
Sr. No.	Description	Amount (Ksh)
1	Total Employees (Total records B_Employees_Dtls)	3
2	PAYE Tax deducted from the Employee(s) (Total of "Self Assessed PAYE Tax" from B_Employees_Dtls)	147,882.00
3	PAYE Tax on Lump Sum/Gratuity/ Arrears Payment (Total "Amount of PAYE Payable" from C_Lump_Sum_Payments_Dtls)	0.00
4	Fringe Benefit Tax (Total of "Amount of Fringe Benefit Tax" from D_FBT_Dtls)	4,200.00
5	PAYE Tax deducted from the Employee(s) Without PIN	
6	<b>Total PAYE Tax Payable (2+3+4+5)</b>	<b>152,082.00</b>
7	Total Housing Levy Contribution (From B_Employees_Dtls)	23,040
8	Total NITA Levy Contributing Members (From B_Employees_Dtls)	3
9	Total NITA Levy Contribution (8. No. Of Members)*50)	150.00
10	<b>Total Payable (6+7+9)</b>	<b>175,272.00</b>

PREVIOUS VALIDATE

Read Me Errors A\_Basic\_Info B\_Employees\_Dtls\_Simplified C\_Lump\_Sum\_Payments\_Dtls D\_FBT\_Dtls E\_Tax\_Due

22. The employer will then generate a payment slip for PAYE under the tax obligation Income Tax. For AHL and NITA levy employer will select tax obligation as agency revenue. The employer will make payments at any of the KRA partner banks or through mobile payments using paybill 222222 and account number being the Payment Registration Number (PRN).

**END**