



Withholding Income Tax

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. **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

Withholding Income Tax

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 within 5 working days after the deduction is made

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 fees (inclusive of incidental costs)	5%	20%
Winnings from betting, gaming, prize competition, gambling)	20%	20%
Royalties or natural resource income	5%	20%
Dividends (nil for resident companies with shareholding>12.5%), (5% resident qualifying dividend and citizens of EAC)	10%	15%
Equipment (movable) Leasing	N/A	5%
Interest (Bank)	15%	15%
Interest (Housing Bond HBI)	10%	15%
Interest on at least two year government bearer bonds, (issued outside KE- 7.5%)	15%	15%
Other bearer bonds interest	25%	25%
Bearer bonds with maturity of ten years or more	10%	
Rent - buildings (immovable)		30%
Rent - others (except aircraft)	N/A	15%
Pensions/provident schemes (withdrawal)	10-30%	5%
Insurance Commissions - brokers	5%	20%
Insurance Commissions - Others	10%	20%
Consultancy and agency(from 1 July 2003), (Consultancy fees to EAC citizen – 15%)	5%	20%
Contractual (from 1 st July 2003)	3%	20%
Telecommunication services/Message transmission		5%
Natural Resource Income (w.e.f. 1 st January, 2015)	5%	20%

Type of incomes	Resident	Non-Resident
Digital content monetization (w.e.f 1 st July 2023)	5%	20%
Sales promotion, marketing and advertising services	5%	20%
Withholding on rental income tax by tax agents (w.e.f 1 st January 2024)	7.5%	N/A
Gains from financial derivatives	N/A	15%

Income from Management or Professional Fees, Royalties and Interest

The Finance Act 2023 has introduced a new section 10(3) to provide that where a payment has been made to a non-resident person, withholding tax paid thereon shall not be refundable or available for deduction against the income where an audit adjustment has been made in respect of such payment.

Withholding Tax payment

- The payer of any of the above incomes is responsible for deducting tax at source from payments made and remitting the deducted tax to KRA.
- Withholding tax shall be deducted and remitted to the Commissioner within 5 working days after the deduction is made
- Payment of withholding tax is done online via iTax <https://itax.kra.go.ke> 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

- Failure to deduct or withhold and remit to the Commissioner is an offence which attracts penalty and interest.
- The penalty for late payment is 5% of the tax due.
- Withholding tax is usually not a final tax on resident payees. 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.
- Royalties, interest, management fees, professional fees, training fees, consultancy fees, agency or contractual fees paid by a Special Economic Zone developer, operator or enterprise, in the first ten (10) years of its establishment, to a non-resident person with effect from 1st July, 2023.
- 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.
- Resident management, professional, training and contractual fees whose aggregate value is Ksh 24,000 and below in a month.
- Air travel commissions paid by local air operators to non-resident agents.

Disclaimer

This document acts only as a guide and in no way replaces the provisions of the respective tax laws. In the event of any conflict or inconsistency between the information contained in this document and the tax laws, the provisions of the respective tax laws shall prevail.



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