



KENYA REVENUE
AUTHORITY



ISO 9001-2000 CERTIFIED

DOMESTIC TAXES DEPARTMENT WITHHOLDING TAX OVERVIEW

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WHAT IS WITHHOLDING TAX?

This is a method whereby, on Agency basis, the payer of certain incomes deducts tax at source from payments due to certain payees and then remit the tax so deducted to the Commissioner, Domestic Taxes Department. Withholding Tax is mainly subjected to payment made to irregular earners and non-payroll earners.

WHAT INCOMES ARE SUBJECTED TO WITHHOLDING TAX?

Quite a wide range of incomes received by both Residents and Non Residents are subjected to Withholding Tax operations. Also different Forms are used to operate this system. The form also acts as both Return of information and also as pay-in-slip. Each type of Withholding Tax has been assigned a specific account.

Appended below are the range of income subject to Withholding Tax, corresponding Tax codes, form in use and rates of Withholding Tax applicable in each:-



RATES OF TAX

		RESIDENTS	NON-RESIDENTS
1	Pension/Retirement Annuity	(10%-30%)	5%
2	Shipping or Aircraft Business (carriage)- Non Resident	-	2.5%
3	Rent (for the use of immovable property)	-	30%
4	Lease rentals (for use of property other than immovable property-e.g machinery)	3%	15%
5	Management or Professional or Training fees	5%	20%
6	Contractual fees:- building, civil or engineering works.	3%	20%
7	Royalty	5%	20%
8	General Interest	15%	15%
9	Interest earned from long term bearer bonds of 10 years and above.	10%	10%
10	Dividends	5%	10%
11	Commission paid or credited by an Insurance Company to:		
	• Brokers	5%	-
	• Others	10%	-
12	Commission paid to Ticketing Agents	5%	-
13	Transmitting messages – Non Resident	-	5%
14	Performance for purpose of entertaining, Instruction, etc – Non Resident	-	20%



TAX CODES AND FORMS USED

TAX CODES	WITHHOLDING TAX	FORMS USED
51	Withholding Tax on Dividends	W1
52	Withholding Tax on General Interest	W2 and W2C
53	Withholding Tax on Royalties	W3and W3C
54	Withholding Tax on Management or Professional or Training and Contractual Fees (Non - Resident)	W3 and W3C
55	Withholding Tax on Rent payable (Non- Resident)	W11,W12,W13
56	Withholding Tax on Pension/Annuities payable to Non Residents	W25 and W27
80	Shipping Tax	W100
82	Withholding Tax on Insurance Commissions and Brokerage	W40,W41,W42,W43, W44
86	Withholding Tax in respect of Qualifying Interest payable by Banks and Financial Institution to Residents	W8A and W8B
88	Withholding Tax on Pension, Provident Fund, Lump sums payable to Residents.	W25A
90	Management or Professional or Training and Contractual fees - (Residents)	W8F and W9F

WHAT ARE THE OBLIGATIONS OF THE WITHHOLDING TAX AGENTS (INDIVIDUALS, COMPANY AND PARTNERSHIP) DEDUCTING WITHHOLDING TAX?

All the Withholding Tax Agents have the obligation where they are making payments which are subject to Withholding Tax to other persons to deduct and remit Withholding Tax so deducted to the Commissioner on or before the 20th day following the month in which the deduction was made.

Where the Agent makes payment to another person and such payment is an Income Exempt from Tax according to the Act then no deduction shall be made from such payment.

WHAT ARE THE CONSEQUENCES OF NON-COMPLIANCE BY THE AGENT?

The consequences of Non - compliance by the Agent :-

- (i) Tax which should have been recovered from the income of the payee, will be recovered from the income of the payer (Agent).
- (ii) Any penalties and interest incurred on the above will now be borne by the Agent.

WHEN IS WITHHOLDING TAX A FINAL TAX?

- (i) All Withholding Taxes deducted from payments made to Non-Resident persons are final taxes,
- (ii) The following types of Withholding Tax payable to Resident individuals becomes the final tax.

-Withholding Tax on qualifying Interest.

-Withholding Tax on qualifying Dividend.

WHEN IS WITHHOLDING TAX AVAILABLE FOR OFF-SETTING AGAINST AN ASSESSMENT?

Where deducted from incomes of Residents, the following types of Withholding Taxes are available for off-setting against assessment,

- (i) Withholding Tax charged on Non-qualifying Dividends.
- (ii) Withholding Tax charged on Non-qualifying Interest
- (iii) Withholding Tax charged on Management or Professional or Training Fees and Contractual fees
- (iv) Withholding Tax charged on Insurance/Brokerage commission,
- (v) Withholding Tax on Pension/Provident fund, or lump sum payable to residents.

DISCLAIMER

This information is for guidance only.
Any omission do not absolve the Taxpayer from making true and correct Returns and Statement of Accounts.



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For further information,
Please visit the nearest KRA office
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