

THE FINANCE BILL, 2026

A Bill for

AN ACT of Parliament to amend the laws relating to various taxes and duties; and for matters incidental thereto

ENACTED by the Parliament of Kenya, as follows—

PART I—PRELIMINARY

Short title and commencement.

1. This Act may be cited as the Finance Act, 2026, and shall come into operation as follows—

- (a) on 1st January, 2027, sections 19, 20, 25, 35, 36, 37(a)(i), 59(a)(ii), 59(b)(ii), 32(a)(x) new paragraph 163;
- (b) all other sections, 1st July, 2027.

PART II—INCOME TAX

Amendment of section 2 of Cap. 470.

2. Section 2 of the Income Tax Act is amended in subsection (1)—

- (a) in the definition of “immovable property”, by deleting the word “and” appearing immediately after the words “immovable property” the end of item (a), and substituting therefor the word “or”;
- (b) in the definition of “management or professional fee”, by adding the words “and includes interchange fees and merchant service fees arising from transactions that use a card as a means of payment” immediately after the word “calculated”;
- (c) by deleting the definition of “royalty” and substituting therefor the following new definition—

“royalty” means a payment made as a consideration for—

- (a) the use or the right to use—
 - (i) any copyright of a literary, artistic or scientific work;
 - (ii) any software, proprietary or off-the-shelf, whether in the form of licence, development, training, maintenance or support fees;
 - (iii) any cinematograph film including a film or tape for radio or television broadcasting;
 - (iv) any patent, trademark, design or model, plan, formula or process;
 - (v) any industrial, commercial or scientific equipment;
 - (vi) information concerning industrial, commercial or scientific equipment or experience, and any gains derived from the sale or exchange of any right or property giving rise to that royalty; or
 - (vii) a proprietary digital platform, payment network, payment-card scheme, payment processing system, switching system, clearing system or settlement system, including access, participation or usage rights in such system through a card, whether the consideration is periodic or transaction-based and whether or not the payment is described as a service fee, transaction fee, network fee, assessment fee, processing fee or similar charge; or

(b) the distribution of software where regular payments are made for the use of the software through the distributor;

(d) by deleting the definition of “withdrawals” and substituting therefor the following new definition;

“withdrawals” means any amount of money, cash equivalent, or money’s worth paid or disbursed to the account of a player, by a person licensed issued under the Gambling Control Act, 2025;

No.15 of 2025.

(e) by inserting the following new definition in proper alphabetical sequence—

“winnings” means a pay-out, by a person licensed issued under the Gambling Control Act, 2025, from a lottery or prize competition under the Gambling Control Act, 2025, but does not include the amount staked or wagered.

Amendment of section 5 of Cap. 470.

3. Section 5 of the Income Tax Act is amended in subsection (4)—

(a) in the proviso to paragraph (g), by adding the following new paragraph immediately after paragraph (b)—

(c) the gratuity was for a contract of service for a continuous period of at least three years;

(b) by inserting the following new paragraph immediately after paragraph (g)—

(ga) any contribution to a gratuity in respect of employment or services rendered:

Provided that—

(i) the gratuity was for a contract of service for a continuous period of at least three years;

- (ii) the total contributions does not exceed thirty-one per cent of the basic salary of the employee; and
- (iii) this paragraph shall not apply to any person who is eligible for deductions under section 22A.

Insertion of a new section 6B to Cap. 470.

4. The Income Tax Act is amended by inserting the following new section immediately after section 6A—

Imposition of non-resident rental income tax.

6B. (1) Where the income of a non-resident person is accrued in or derived from the use or occupation of property situated in Kenya, a tax to be known as non-resident rental income tax shall be payable by that non-resident person at the rate specified in the Third Schedule which shall be a final tax on the income.

(2) A non-resident person subject to the tax payable under subsection (1) shall—

- (a) register and account for the tax through a simplified registration framework prescribed by the Commissioner; and
- (b) submit a return and pay the tax due on or before the twentieth day of the month following the end of the month for which the rent is paid.

(3) Subsection (2) shall not apply where the income accrued in or derived from the use or occupation of the property received by a resident person on behalf of the non-resident person who is subject to the deduction of tax specified in section 35(3)(j).

Amendment of section 8 of Cap. 470.

5. Section 8 of the Income Tax Act is amended by deleting subsection (5A).

Amendment to section 9 of Cap. 470.

6. Section 9 of the Income Tax Act is amended by inserting the following new subsection immediately after subsection (1)—

(1A) The tax charged under subsection (1) shall be payable within five days after the payment is received or the ship leaves the port of lading, whichever is earlier.

Amendment to section 10 of Cap. 470.

7. Section 10 of the Income Tax Act is amended in subsection (1), by adding the following new paragraphs immediately after paragraph (m)—

(n) sale of scrap metal;

(o) winnings.

Repeal and replacement of section 11 of Cap. 470.

8. The Income Tax Act is amended by repealing section 11 and replacing it with the following new section—

Trust income deemed income of trustee.

11. (1) Any income chargeable to tax and received by a person in the capacity of a trustee, executor or administrator, shall be deemed to be the income of that trustee, executor or administrator.

(2) Dividend or interest which is included in the income of the trustee, executor or administrator under subsection (1) shall not be subject to further tax under this Act.

(3) Where a trustee, executor or administrator has paid tax on the chargeable income of the trust, a beneficiary of the trust shall not be liable to pay tax on that income.

Amendment of section 12 of Cap. 470.

9. Section 12 of the Income Tax Act is amended in subsection (1), by deleting paragraph (a) and substituting therefor the following new paragraph—

- (a) if to the best of his judgement and belief he will have no income chargeable to tax for that year of income other than emoluments.

Insertion of a new section 12H to Cap. 470.

10. The Income Tax Act is amended by inserting the following new section immediately after section 12G—

Tax on income from importation of worn clothing and other worn articles

12H. (1) Notwithstanding any other provision of this Act, a tax shall be payable by a person in respect of income derived from the importation into Kenya of worn clothing, worn footwear and other worn articles classified under tariff heading 6309.

(2) For the purposes of computing the tax under subsection (1), the taxable profit shall be deemed to be five per cent of the customs value of the imported goods.

(3) The tax payable under this section shall be due and payable upon importation and prior to the release of the goods and shall be a final tax in respect of the income.

Amendment of section 15 of Cap. 470.

11. Section 15 of the Income Tax Act is amended in subsection (2), by inserting the following new paragraph immediately after paragraph (ae)—

- (af) in the case of an employee, the amount of interest, not exceeding three hundred and sixty thousand shillings, deducted for the repayment of a loan advanced by the Central Bank of Kenya for the construction, purchase or improvement of a house occupied by the employee.

Amendment of
section 16 of Cap.
470.

12. Section 16 of the Income Tax Act is amended in subsection (2)(j)(iii)(E) by deleting the words “lending and leasing business” appearing after the words “involved in” and substituting therefor the words “lending or leasing business, or both”.

Amendment of
section 18D of Cap.
470.

13. Section 18D of the Income Tax Act is amended—

- (a) in subsection (1), by deleting the expression “subsection (3)” appearing after the words “accordance with” and substituting therefor the expression “subsection (2)”;
- (b) in subsection (2), by deleting the expression “subsection (1)” appearing after the words “accordance with” and substituting therefor the expression “subsections (1) and (1A)”;
- (c) in subsection (5), by deleting the expression “subsection (1)” appearing after the words “accordance with” and substituting therefor the expression “subsections (1) and (1A)”.

Amendment of
section 18F of Cap.
470.

14. Section 18F of the Income Tax Act is amended—

- (a) in the definition of “a country-by-country report”, by deleting the expression “section 18D(1)” appearing after the words “filed under” and substituting therefor the expression “section 18D(1) and (1A)”;
- (b) in the definition of “excluded multinational enterprise group”, by deleting the expression “section 18D(1)” appearing after the words “specified in” and substituting therefor the expression “section 18D(1B)”;
- (c) by deleting the definition of “ultimate parent entity” and substituting therefor the following new definition—

“ultimate parent entity” means a constituent entity of a multinational enterprise group where—

- (a) the constituent entity owns directly or indirectly a sufficient interest in one or more other constituent entities of the multinational enterprise group;
- (b) the constituent entity is required to prepare consolidated financial statements under accounting principles generally applied in its jurisdiction of tax residence, or would be so required if its equity interests were traded on a public securities exchange in its jurisdiction of tax residence; and
- (c) there is no other constituent entity of the multinational enterprise group that owns directly or indirectly a sufficient interest in any of the other constituent entities of the multinational enterprise group.

Amendment of
section 19 of Cap.
470.

15. Section 19 of the Income Tax Act is amended—

- (a) in subsection (5)—
 - (i) by deleting the words “life insurance fund” appearing in paragraph (a) and substituting therefor the words “statutory fund”; and
 - (ii) by deleting the words “life insurance fund” appearing in paragraph (b) and substituting therefor the words “statutory fund”;
- (b) in subsection (5A), by deleting the words “life insurance fund” wherever they occur and

substituting therefor the words “statutory fund”;

(c) in subsection (6), by deleting the words “life insurance fund” appearing in paragraph (b) and substituting therefor the words “statutory fund”;

(d) in subsection (6A), by deleting the words “life insurance fund” wherever they occur and substituting therefor the words “statutory fund”;

(e) in subsection 7—

(i) in the definition of “annuity fund”, by deleting the words “life insurance fund” wherever they occur and substituting therefor the words “statutory fund”;

(ii) by deleting the definition of “life insurance fund”;

(iii) by inserting the following new definition in proper alphabetical sequence—

“statutory fund” means a fund established under section 45 of the Insurance Act.

Cap. 487.

Repeal of section 23A of Cap. 470.

16. The Income Tax Act is amended by repealing section 23.

Amendment of section 24 of Cap. 470.

17. Section 24 of the Income Tax Act is amended in subsection (1), by deleting the words “that part of the income” appearing after the words “he may direct that”, and substituting therefor the words “at least sixty per cent of that part of the income”.

Amendment of section 35 of Cap. 470.

18. Section 35 of the Income Tax Act is amended—

(a) in subsection (1)—

- (i) by deleting subparagraph (iii) appearing in paragraph (a);
- (ii) by deleting paragraph (u);
- (iii) by adding the following new paragraphs immediately after paragraph (u)—
 - (v) the sale of scrap metal;
 - (w) winnings;
- (b) in subsection (3), by adding the following new paragraph immediately after paragraph (o)—
 - (p) the sale of scrap metal;
 - (q) winnings.

Amendment of section 52 of Cap. 470.

19. Section 52 of the Income Tax Act is amended—

- (a) in subsection (1), by deleting the words “within a reasonable time, not being less than thirty days from the date of service of the notice” appearing immediately after the words “furnish him”, and substituting therefor the words “by the last day of the fourth month following the end of the person’s year of income”;
- (b) by inserting the following new subsection immediately after subsection (1)—

(1A) Where the tax return submitted under subsection (1) relates to a nil amount of tax payable, the person required to submit the tax return shall submit the return within one month following the end of the year of income to which the return relates.

Amendment of section 52B of Cap. 470.

20. Section 52B of the Income Tax Act is amended—

- (a) in subsection (1)—
 - (i) by deleting the words “including a self-assessment of his tax from all sources of income, not later than the last day of the sixth month following the end of his year of income” appearing in paragraph (i) and substituting therefor the words “by the last day of the fourth month following the end of the person’s year of income”;
 - (ii) by deleting the words “including a self-assessment of his tax from all sources of income, not later than the last day of the sixth month following the end of his year of income” appearing in paragraph (ii) and substituting therefor the words “by the last day of the fourth month following the end of the person’s year of income”;
- (b) by inserting the following new subsection immediately after subsection (1)—

(1A) Where the tax return submitted under subsection (1) relates to a nil amount of tax payable, the person required to submit the tax return shall submit the return within one month following the end of the year of income to which the return relates.

Amendment of the
First Schedule to
Cap. 470.

21. Part I of the First Schedule to the Income Tax is amended—

- (a) in paragraph 53, by adding the following paragraph immediately after paragraph (c) of the proviso—
 - (d) benefits arising due to death;
- (b) inserting the following new paragraph immediately after paragraph 75—

76. Any capital gains relating to the transfer of property to a real estate investment trust

registered by the Commissioner under section 20(1).

Amendment of the
Second Schedule to
Cap. 470.

22. The Second Schedule to the Income Tax Act is amended in the table appearing in paragraph 1(1), by adding the words “per year, in equal instalments” immediately after the expression “10%” appearing in item (a)(viii).

Amendment of the
Third Schedule to
Cap. 470.

23. Head B of the Third Schedule to the Income Tax Act is amended—

(a) in paragraph 2, by deleting subparagraph (i);

(b) in paragraph 3—

(i) by deleting the proviso to subparagraph (d);

(ii) by inserting the following new subparagraphs immediately after subparagraph (w)—

(x) in respect of the sale of scrap metal, one and a half per cent of the gross amount;

(y) in respect of winnings, twenty per cent;

(c) in paragraph 5, adding the following new subparagraphs immediately after subparagraph (p)—

(q) in respect of the sale of scrap metal, one and a half per cent of the gross amount;

(r) in respect of winnings, twenty per cent;

(d) in paragraph 10, by deleting the words “seven point five percent” appearing immediately after the words “shall be” and substituting therefor the word “ten percent”.

Amendment of the
Eighth Schedule to
Cap. 470.

24. Paragraph 2 of the Eighth Schedule to the Income Tax Act is amended—

- (a) in subparagraph (c), by deleting the expression “subparagraph (a)” appearing immediately after the words “to which” and substituting therefor the expression “subparagraph (b)”;
- (b) by adding the following new subparagraph immediately after subparagraph (c)—
- (d) gains derived from the alienation of shares by a non-resident person where the shares derive their value from Kenya or the alienation results in a change of the group membership of a company resident in Kenya or of ownership of, title in, or interest in property located in Kenya.

Amendment of the
Ninth Schedule to
Cap. 470.

25. The Ninth Schedule to the Income Tax Act is amended—

- (a) in paragraph 2, by adding the following new subparagraph immediately after subparagraph (3)—
- (4) The non-resident tax rates for repatriated income by a licensee under section 7B shall be fifteen per cent.
- (b) in paragraph 7—
- (i) in subparagraph (3), by deleting the words “thirty-seven and a half percent” appearing in item (b) immediately after the words “non-resident company” and substitute therefor the words “thirty percent”;
- (ii) by adding the following new paragraph immediately after subparagraph (3)—

(4) The non-resident tax rates for repatriated income by a contractor under section 7B shall be fifteen per cent.

PART III—VALUE ADDED TAX

Amendment of section 2 of Cap. 476.

26. Section 2 of the Value Added Tax Act is amended in subsection (1)—

- (a) by deleting the definition of “assessment”;
- (b) by deleting the definition of “information technology”;
- (c) by deleting the definition of “tax computerized system”.

Amendment of section 13 of Cap. 476.

27. Section 13 of the Value Added Tax Act is amended in subsection (6), by deleting paragraph (a) and substituting therefor the following new paragraph—

- (a) in the case of a supply of goods from a person licenced to carry on hire purchase business under a hire purchase agreement registered in accordance with the Hire Purchase Act, any financial charge payable in relation to the supply of credit under the agreement.

Cap. 507.

Insertion of a new section 17A to Cap. 476.

28. The Value Added Tax Act is amended by inserting the following new section immediately after section 17—

Adjustment of input tax after supplies become exempt.

17A. (1) Where, on the date taxable supplies by a registered person become exempt and the person has deducted input tax on such supplies but the supplies remain unsold, the person shall account for an amount equal to the input tax relating to the supplies which remain unsold in the tax return of the period when the taxable supply became exempt.

(2) When accounting for input tax under subsection (2), the person shall use the method used when input tax was deducted in respect of the supplies before the date the supplies became exempt.

(3) Where the adjustment results in excess input tax, the person shall be liable to pay the resulting tax to the Commissioner.

Amendment of section 31 of Cap. 476.

29. Section 31 of the Value Added Tax Act is amended in subsection (1), by deleting the words “two years” appearing in paragraph (a) immediately after the words “period of” and substituting therefor the words “three years”.

Amendment of section 42 of Cap. 476.

30. Section 42 of the Value Added Tax Act is amended—

(a) in subsection (1), by deleting the word “registered person” appearing immediately after the expression “subsection (2), a” and substituting therefor the word “person”;

(b) by deleting subsection (2) and substituting therefor the following new subsection—

(2) An invoice showing an amount that purports to be tax shall only be issued in respect of a taxable supply.

Repeal of section 66 of Cap. 476.

31. The Value Added Tax Act is amended by repealing section 66.

Amendment of First Schedule to Cap. 476.

32. Section A of the First Schedule to the Value Added Tax Act is amended—

(a) in Part I—

(i) by adding the following new tariff number and corresponding descriptions to the table appearing immediately after

paragraph 39 in proper numerical sequence—

<i>Tariff number</i>	<i>Description</i>
3002.90.00	Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses

(ii) by deleting paragraph 49;

(iii) in paragraph 51—

(A) by inserting the words “spare parts” immediately after the word “lubricants” appearing in paragraph 51;

(B) by adding the following new proviso—

Provided that any exemption granted for spare parts before the 30th June 2026, shall apply until the conclusion on the project.

(iv) by deleting paragraph 58;

(v) by deleting paragraph 62;

(vi) by deleting the words “any other aircraft spare” appearing in paragraph 89 and substituting therefor the word “aircraft”;

(vii) by deleting the words “three hundred” appearing in paragraph 99(i) and substituting therefor the words “two thousand”;

(viii) by deleting paragraph 109;

(ix) by deleting paragraph 153;

(x) by adding the following new paragraphs immediately after paragraph 157—

158. Dialyzers of tariff number 8421.29.00.

159. Scrap metal.

160. Inputs or raw materials locally purchased or imported for the manufacture of animal feeds upon recommendation by the Cabinet Secretary for the time being responsible for matters relating to agriculture.

161. Inputs or raw materials locally purchased or imported for the manufacture of pharmaceutical products upon recommendation by the Cabinet Secretary for the time being responsible for matters relating to health.

162. Transportation of sugarcane from farms to milling factories.

163. The supply of imported or locally purchased telephones for cellular networks and other wireless networks.

164. The supply of motorcycles of tariff heading 8711.60.00.

165. The supply of electric bicycles.

166. The supply of solar and lithium-ion batteries.

167. The supply of electric buses of tariff heading 87.02.

168. Bioethanol vapour (BEV) Stoves classified under HS Code

7321.12.00 (cooking appliances and plate warmers for liquid fuel).

169. Worn clothing and other worn articles of tariff heading 6309, other than upon importation.

170. The supply of goods for the direct and exclusive use in the implementation of infrastructure projects undertaken under a public private partnership framework, upon approval by the Cabinet Secretary on the recommendation of the Cabinet Secretary for the Ministry responsible for the implementation of the project.

(b) in Part II—

(i) in paragraph 1, by deleting subparagraph (b) and substituting therefor the following new subparagraph—

(b) the issue, transfer, receipt or any other dealing with money, including money transfer services, and accepting over the counter payments of household bills, but does not include—

(i) the services of carriage of cash, restocking of cash machines, sorting or counting of money; and

(ii) money transfers, payment processing, settlement, merchants acquiring, gateway or aggregation services supplied over a software or platform for a fee or commission by a payment service provider;

- (ii) paragraph 25 is amended by inserting the following new definitions—

For the purposes of this paragraph—

“tour operator” means a tour or safari operator licensed as such by the competent authority responsible for regulating and overseeing the tourism sector; and

“in-house supplies” means supplies made from a tour operator’s own resources; or bought from third parties but materially altered so that the supply made is substantially different to that purchased.

- (iii) by deleting paragraph 26;

- (iv) by adding the following new paragraph immediately after paragraph 38—

39. The supply of services for the direct and exclusive use in the implementation of infrastructure projects undertaken under a public private partnership framework, upon approval by the Cabinet Secretary on the recommendation of the Cabinet Secretary for the Ministry responsible for the implementation of the project.

Amendment of
Second Schedule to
Cap. 476.

33. The Second Schedule to the Value Added Tax Act is amended in Part A—

- (a) by deleting paragraph 11;
- (b) by deleting paragraph 21;
- (c) by deleting paragraph 29;
- (d) by deleting paragraph 30;
- (e) by deleting paragraph 31;
- (f) by deleting paragraph 32;

- (g) by deleting paragraph 33;
- (h) by deleting paragraph 34;
- (i) by deleting paragraph 35;

PART IV—EXCISE DUTY

Amendment of the
section 2 of Cap.
472.

34. Section 2 of the Excise Duty Act is amended—

- (a) in the definition of “import”, by adding the following proviso—

Provided that where the goods originate from an East African Community Partner State and meet the East African Community Rules of Origin, the goods shall not be considered an import;

- (b) by inserting the following new definition in proper alphabetical sequence—

“antique, vintage or “classic vehicle” means a motor vehicle whose year of first registration is at least thirty years before the date of purchase of the motor vehicle and whose value is at least ten million shillings exclusive of depreciation.

Amendment of
section 2 of Cap.
472.

35. Section 6 of the Excise Duty Act is amended by inserting the following new subsection immediately after subsection (4)—

(4A) Despite subsections (1) and (4), the liability of an importer or a licensed manufacturer for excise duty on a locally purchased or imported telephones for cellular networks and other wireless networks shall arise at the time of the activation of the phone.

(4B) The Cabinet Secretary may make regulations for the better carrying out of subsection (4A).

Amendment of section 36 of Cap. 472.

36. Section 36 of the Excise Duty Act is amended—

(4A) Despite subsections (1) and (3), the excise duty payable in respect of telephones for cellular networks and other wireless networks shall be paid to the Commissioner by the time of the activation of the phone.

(4B) The Cabinet Secretary may make regulations for the better carrying out of subsection (4A).

Amendment of the First Schedule to Cap. 472.

37. The First Schedule to the Excise Duty Act is amended—

(a) in Part I, in the second table—

- (i) by deleting the description “imported cellular phones” and the corresponding rate of excise duty and substituting therefor the following new description and rate of excise duty—

<i>Tariff Description</i>	<i>Rate of excise duty</i>
Telephones for cellular networks and other wireless networks of tariff heading 8517.	25% of the excisable value.

- (ii) by deleting the description “fruit juices (including grape must) and vegetable juice, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter” and the corresponding rate of excise duty;
- (iii) in the description “bottled or similarly packaged waters and other non-alcoholic beverages, not including fruit or vegetable juices”, by deleting the words “bottled or

- similarly packaged waters and other” appearing immediately before the words “non-alcoholic beverages, not including fruit or vegetable juices”;
- (iv) in the description “Beer, Cider, Perry, Mead, Opaque beer and mixtures of fermented beverages with non-alcoholic beverages and spirituous beverages of alcoholic strength not exceeding 6%”, by deleting the proviso to the corresponding rate of excise duty;
- (v) in the description “spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages” by deleting the words “purchased by licensed manufacturers of spirituous beverages”;
- (vi) in the description “cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes” by deleting the corresponding rate of excise duty and substituting therefor the new rate of excise duty of “Ksh. 18,000 per kg”;
- (vii) in the description “other manufactured tobacco and manufactured tobacco substitutes; “homogenous” and “reconstituted tobacco”; tobacco extracts and essences” by deleting the corresponding rate of excise duty and substituting therefor the following new rate of excise duty “Ksh. 12,550 per kg”;
- (viii) in the description “Imported sugar confectionary of tariff heading

- 17.04” by deleting the word “imported;
- (ix) by deleting the description “imported articles of plastic of tariff heading 3923.30.00” and the corresponding rate of excise duty;
 - (x) in the description “imported ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures of tariff heading 6910” by deleting the corresponding rate of excise duty and substituting therefor the following new rate of excise duty—
“5% of the excisable value or Ksh. 50 per kg, whichever is higher”;
 - (xi) by deleting the description “imported articles of plastic of tariff heading 3923.30.00 and 3923.90.00” and the corresponding rate of excise duty;
 - (xii) in the description “Imported Glass bottles (excluding imported glass bottles for packaging of pharmaceutical products)”, by deleting the proviso;
 - (xiii) in the description “Imported furniture of tariff heading 9403 excluding furniture originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;

- (xiv) in the description “Imported printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xv) in the description “Imported plates of plastic of tariff heading 3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xvi) in the description “Imported paper or paper board, labels of all kinds whether or not printed of tariff heading 4821.10.00 and 4821.90.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xvii) in the description “Imported printing ink of tariff 3215.11.00 and 3215.19.00 but excluding those

- originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xviii) in the description “Imported Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked of tariff 7005 but excluding those imported by a registered processor upon the recommendation by the Cabinet Secretary responsible for matter relating to industry and those originating from East African Community Partner States that meet the East African Community Rules of Origin, by deleting the words “and those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xix) in the description “Imported other self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls of tariff number 3919.90.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;

- (xx) in the description “Imported printed polymers of ethylene of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.10.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xxi) in the description “Imported printed polymers of vinyl chloride containing by weight not less than 6% of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.43.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xxii) in the description “Imported printed poly (ethylene terephthalate) of polycarbonates, alkyd resins, polyallyl esters or other polyesters of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or

- similarly of tariff number 3920.62.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xxiii) in the description “Imported printed cellular of other plastics of other plates, sheets, film, foil and strip of tariff number 3921.19.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xxiv) in the description “Printed self-adhesive paper of tariff number 4811.41.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xxv) in the description “Gummed paper and paperboard of tariff number 4811.49.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of

Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;

(xxvi) in the description “Imported Uncoated kraft paper and paperboard, in rolls or sheets; kraftliner; unbleached of tariff number 4804.11.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;

(xxvii) in the description “Imported other kraft paper or paperboard weighing 150g/m² or less, in rolls or sheets; unbleached of tariff number 4804.31.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;

(xxviii) in the description “Imported other kraft paper or paperboard weighing more than 150g/m² but less than 225 g/m², in rolls or sheets; unbleached of tariff number 4804.41.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by

- deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xxix) in the description “Imported other kraft paper or paperboard weighing 225 g/m² or more others in rolls or sheets; unbleached of tariff number 4804.51.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xxx) in the description “Imported Glass of heading 70.03, 70.04 or 70.05, bent, edge-worked, engraved, drilled, enamelled or otherwise worked, but not framed or fitted with other materials of Tariff Heading 70.06, but excluding those from East Africa Community Partner States that meet the East Africa Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”;
- (xxxi) in the description “Imported safety glass of tariff numbers 7007.19.00 and 7007.29.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”, by deleting the words “but excluding those originating from East

African Community Partner States that meet the East African Community Rules of Origin”;

(xxxii) in the description “Imported Multiple-walled insulating units of glass of Tariff Heading 70.08, but excluding those from East Africa Community Partner States that meet the East Africa Community Rules of Origin”, by deleting the words “but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin”.

(xxxiii) in the description “spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages” by deleting the corresponding rate of excise duty and substituting therefor the following new rate of excise duty—

“kshs. 80 per litre”

(xxxiv) by adding the following new tariff descriptions and corresponding rates of excise duty—

<i>Tariff Description</i>	<i>Rate of excise duty</i>
Articles of plastic of tariff heading 3923.30.00 and 3923.90.90	10%
Coal	5% of the excisable value
Antique, vintage and classic vehicles	50% of the excisable value

Fruit juices (including grape must) and vegetable juice, unfermented and not containing added spirit. Ksh. 14.14 per litre

Fruit juices (including grape must) and vegetable juice, unfermented, containing added sugar or other sweetening matter and not containing added spirit Kshs. 20 per litre

(b) in Part II —

- (i) in paragraph 4A, by deleting the words “into a customer’s betting wallet” appearing immediately after the word “deposited” and substituting therefor the words “for betting purposes”;
- (ii) by deleting the proviso to paragraph 4A;
- (iii) in paragraph 4B, by deleting the words “into a customer’s betting wallet” appearing immediately after the word “deposited” and substituting therefor the words “for gambling purposes”;
- (iv) by inserting the word “service” immediately before the word “providers” appearing in paragraph 9;

(c) in Part III—

- (i) by deleting the definition of “amount deposited into a customer’s betting wallet”;
- (ii) by inserting the following new definitions in proper alphabetical sequence—

“amount deposited” means the total value of money or money’s worth paid, transferred, credited, or otherwise made available for betting or gambling purposes to a person who has been issued a licence

under the Gambling Control Act, whether provided by a player or the operator, whether in cash or cash equivalents, whether or not such amount is held in an account operated by a player, operator or licensed person, or converted into chips, tokens, tickets, credits, or similar instruments;

No. 20 of 2025.No.
20 of 2025.

“virtual asset” has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025;

“virtual asset service provider” has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025.

Amendment of the
Second Schedule to
Cap. 472

38. The Second Schedule to the Excise Duty Act is amended in Part A, by inserting the words “National Intelligence Service” immediately after the words “Kenya Defence Forces” appearing in paragraph 11.

PART V—TAX PROCEDURES

Amendment of
section 3 of Cap.
469B.

39. Section 3 of the Tax Procedures Act is amended in subsection (1)—

- (a) by deleting the definition of “certificate of origin;
- (b) by inserting the following new definition in proper alphabetical sequence—

No. 20 of 2025.No.
20 of 2025.

“virtual asset” has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025;

“virtual asset service provider” has the meaning assigned to it in section 2 of the Virtual Asset Service Providers Act, 2025.

Amendment of
section 6A of Cap.
469B.

40. Section 6A of the Tax Procedures Act is amended by deleting subsection (4).

Insertion of a new section 6C in Cap. 469B.

41. The Tax Procedures Act is amended by inserting the following new sections immediately after section 6B—

Virtual asset service providers to file information returns.

6C. (1) Each virtual asset service provider shall file an information return with the Commissioner in respect of all the virtual-asset users with which it maintains a relationship in every calendar year and that are identified as reportable users or as having controlling persons that are reportable persons.

(2) A virtual asset provider shall be required to file the information return under subsection (1) if the virtual asset service provider provides a service that effectuates exchange transactions or making available a trading platform on behalf of a customer, and includes acting as a counterparty, or as an intermediary, to the exchange transactions.

(3) A person who makes a false statement in an information return under subsection (1) commits an offence and shall be liable on conviction to a fine of one hundred thousand shillings for each false statement, or imprisonment for a term not exceeding three years, or to both.

(4) A person who omits any information required to be included in an information return under subsection (1), shall be liable to a penalty of one hundred thousand shillings for each omission.

(5) A person shall not be liable under subsection (3) or (4) where the information required to be included in

an information return under subsection (1) is in respect of another person and a reasonable effort was made by the person to obtain the information from that other person.

(6) A virtual asset service provider that fails to file an information return or a “nil” information return when required under subsection (1) shall be liable to pay a penalty of one million shillings for each failure.

Agreements for the automatic exchange of information with other countries on virtual asset transactions.

6D. (1) Kenya may enter into an agreement with another country for the automatic exchange of information relating to transactions involving virtual assets.

(2) An agreement under subsection (1) shall provide for the exchange of information relating to—

- (a) information returns filed under section 6C(1).
- (b) due diligence reporting and record keeping obligations prescribed under this section;
- (c) the virtual asset users with which a virtual asset service provider maintains a relationship in every calendar year and that are identified as reportable users or as having controlling persons that are reportable persons;
- (d) nil return filings by virtual asset service providers who do not maintain a relationship with virtual asset users that are identified as reportable users or

as having controlling persons that are reportable persons; and

- (e) arrangements or practices by virtual asset service providers, the main purpose or one of the main purposes of which can reasonably be considered to be to avoid obligations imposed under this Act.

(5) In this section—

“information return” means a report, setting out prescribed information which a reporting virtual-asset service provider is required to file with the Commissioner.

(6) The Cabinet Secretary may make regulations necessary for the implementation of this section.

Amendment of section 10 of Cap. 469B.

42. Section 10 of the Tax Procedures Act is amended by inserting the following new subsections immediately after subsection (8)—

(9) Where a person who was deregistered under this section qualifies for registration under section 8, shall apply to the Commissioner for reinstatement of the registration.

(10) Where the Commissioner is satisfied that the applicant under subsection (9) is liable for tax under a tax law, the Commissioner shall register the person and issue the person the same PIN that had been issued to the person prior to the deregistration.

Amendment of section 12 of Cap. 469B.

43. Section 12 of the Tax Procedures Act is amended by inserting the following new subsection immediately after subsection (5A)—

(5B) A non-resident person shall be exempt from the requirement of a PIN when opening an account with an investment bank.

Insertion of new section 18A to Cap 469B.

44. The Tax Procedures Act is amended by inserting the following new section immediately after section 18—

Tax avoidance schemes.

18A. (1) Where the Commissioner determines in accordance with the information obtained under subsection (2) that—

- (a) a person has entered into or carried out a tax avoidance scheme;
- (b) a person has obtained a tax benefit in connection with the scheme; and
- (c) the purpose of enabling the person referred to in paragraph (b) is to obtain a tax benefit,

the Commissioner may determine the tax liability of the person who obtained the tax benefit as if the scheme had not been entered into or carried out.

(2) The Commissioner shall rely on—

Cap. 470. Cap. 470.

- (a) information submitted to the Commissioner under section 35(5) of the Income Tax Act;
- (b) the accounting of tax deducted under section 37(1) of the Income Tax Act;
- (c) information submitted to the Commissioner under section 5A

Cap. 469.. 469.

of the Kenya Revenue Authority Act;

- (d) information submitted through the electronic system established under section 23A;
- (e) information submitted to the Commissioner under section 24A;
- (f) information obtained from the inspection of goods and records conducted under section 58;
- (g) information obtained from the auditing of the records produced under section 59; or
- (h) information submitted to the data management and reporting system established under section 59A; or
- (i) information submitted to the Commissioner under any other written law,

to make a determination under subsection (1).

(3) The Commissioner shall issue to the person referred to in subsection (1) (b) an assessment of the tax liability determined under subsection (1) within five years from the last day of the tax period to which the tax liability relates.

(4) In this section—

“scheme” includes a course of action, and an agreement, arrangement, promise, plan, proposal, or undertaking,

whether express or implied, and whether or not legally enforceable; and

“tax benefit” means –

- (a) a reduction in the liability of a person to pay tax;
- (b) an increase in the entitlement of a person to a deduction for input tax;
- (c) an entitlement to a refund;
- (d) a postponement of a liability for the payment of tax;
- (e) an acceleration of an entitlement to a deduction for input tax;
- (f) any other advantage arising because of a delay in payment of tax or an acceleration of the entitlement to a deduction for input tax;
- (g) anything that causes a taxable supply or taxable import not to be a taxable supply or taxable import, as the case may be; or
- (h) anything that gives rise to a deduction for input tax for an acquisition or import that is used or is intended to be used other than in making taxable supplies.

Insertion of a new section 29A of Cap. 469B.

45. The Tax Procedures Act is amended by inserting the following new section immediately after section 29—

Commissioner to issue an assessment.

29A. (1) The Commissioner may, in accordance with the information obtained in accordance with subsection

(2), issue an assessment on the income of a person as he may deem necessary.

(2) The Commissioner shall rely on—

- (a) the information submitted to the Commissioner under section 35(5);
- (b) the accounting of tax deducted under section 37(1);
- Cap. 469. (c) the information submitted to the Commissioner under section 5A of the Kenya Revenue Authority Act;
- Cap. 469B. (d) the information submitted to the electronic system established under section 23A of the Tax Procedures Act;
- (e) the information submitted to the Commissioner under section 24A;
- (f) the information obtained from the inspection of goods and records conducted under section 58;
- (g) the information obtained from the auditing of the records produced under section 59;
- (h) the information submitted to the data management and reporting system established under section 59A; or
- (i) the information submitted to the Commissioner under written law,

to issue an assessment under subsection (1).

Amendment of section 37E of Cap. 469B. **46.** Section 37E of the Tax Procedures Act is amended—

- (a) in subsection (1), by deleting the expression “31st December, 2023” appearing immediately after the words “due before the” and substituting therefor the expression “31st December, 2025”;
- (b) in subsection (2), by deleting the expression “31st December, 2023” appearing immediately after the words “paid before the” and substituting therefor the expression “31st December, 2025”;
- (c) in subsection (3)—
 - (i) in paragraph (a), by deleting the expression “31st December, 2023” appearing immediately after the words “up to the” and substituting therefor the expression “31st December, 2025”;
 - (ii) in paragraph (b), by deleting the expression “30th June, 2025” appearing immediately after the words “later than the” and substituting therefor the expression “31st December, 2026”;
- (d) in subsection (4)—
 - (i) by deleting the expression “31st December, 2023” appearing immediately after the words “as on the” and substituting therefor the expression “31st December, 2025”;
 - (ii) by deleting the expression “30th June, 2025” appearing immediately after the words “unpaid on the” and substituting

therefor the expression “31st December, 2026”.

Amendment of section 39A of Cap. 469B.

47. Section 39A of the Tax Procedures Act is amended by deleting subsection (2).

Amendment of section 42 of Cap. 469B.

48. Section 42 of the Tax Procedures Act is amended subsection (14), by deleting paragraph (e).

Repeal of section 44A of Cap. 469B.

49. The Tax Procedures Act is amended by repealing section 44A.

Amendment of section 47 to Cap. 469B.

50. Section 47 of the Tax Procedures Act is amended in subsection (1), by deleting the words “and value added tax payable on imports” appearing in paragraph (a).

Amendment of section 73 of Cap. 469B.

51. Section 75 of the Tax Procedures Act is amended by adding the following new section immediately after subsection (2)—

(3) The Commissioner may use the information technology contemplated under subsection (1) to generate a prepopulated tax return on behalf of a person required to submit or lodge a tax return.

(4) A person required to submit or lodge a tax return may rely on the prepopulated return generated by the Commissioner under subsection (3) to submit or lodge the return.

Amendment of section 77 of Cap. 469B.

52. Section 77 of the Tax Procedures Act is amended by deleting subsection (2).

Repeal and replacement of section 86 of Cap.469B.

53. The Tax Procedures Act is amended by repealing section 86 and replacing it with the following new section—

Failure to comply with electronic tax system.

86. (1) Where the Commissioner determines that a taxpayer has failed to comply with the requirement under a tax law to issue an electronic tax invoice, submit a tax return in electronic form, or pay tax electronically pursuant to

section 75, the Commissioner shall issue a notice in writing to the taxpayer requiring the taxpayer to provide reasons for the non-compliance.

(2) Upon receipt of the response of the taxpayer as required under subsection (1), the Commissioner shall consider whether—

- (a) the failure to comply arose from circumstances beyond the reasonable control of the taxpayer;
- (b) the failure to comply was not due to the wilful neglect or deliberate default of the taxpayer; and
- (c) the taxpayer took reasonable steps to comply with the relevant requirement as soon as practicable.

(3) Where the Commissioner is not satisfied by the reasons given under subsection (2), the taxpayer shall be liable to pay the higher of the following penalties—

- (a) two times the value of the tax due;
- (b) one hundred thousand shillings; or
- (c) in the case of an individual, ten thousand shillings.

Amendment of
section 89 of Cap.
469B.

54. Section 89 of the Tax Procedures Act is amended—

- (a) in subsection (5A)—

- (i) in paragraph (c), by deleting the words “due to a malfunction of an electronic tax system” appearing immediately after the word “interest”;
- (ii) by inserting the following new paragraph immediately after paragraph (c)—
 - (ca) a malfunction of an electronic tax system;
- (b) by inserting the following new subsection immediately after subsection (5A)—
 - (5B) Despite subsection (5A), the Commissioner may waive the whole or part of any penalty or interest imposed under this Act where the liability to pay the penalty or interest does not exceed two million shillings and was due to an error generated by an electronic tax system.

Amendment to
section 112 of Cap.
469B.

55. Section 112 of the Tax Procedures Act is amended in subsection (2) by inserting the following new paragraph immediately after paragraph (b)—

- (ba) the procedure for the submission or lodging of returns based on prepopulated tax returns generated by the Commissioner.

PART VI—MISCELLANEOUS FEES AND LEVIES

Amendment of
section 2 of Cap.
469C.

56. Section 2 of the Miscellaneous Fees and Levies Act is amended in subsection (1) by deleting the definition of “East African Community Partner States” and substituting therefor the following new definition—

“East African Community Partner States” means the Republic of Kenya, the Republic of Uganda and the United Republic of Tanzania and any other country granted membership to the Community

under Article 3 of the Treaty Establishing the East African Community.

Amendment of section 7 of Cap. 469C

57. Section 7 of the Miscellaneous Fees and Levies Act is amended—

- (a) in subsection (6), by deleting the words “twenty percent” appearing immediately after the expression “subsection (2)” and substituting therefor the words “ten percent”;
- (b) in subsection (7), by deleting the words “while ten percent shall be used for revenue enforcement initiatives” appearing immediately after the word “obligation”.

Amendment of section 9 of Cap. 469C.

58. Section 9 of the Miscellaneous Fees and Levies Act is amended by deleting the words “import declaration fee, railway development levy and export levy” appearing immediately after the words “payment of” and substituting therefor the words “the fees and levies imposed under Part III”.

Amendment of the Second Schedule to Cap. 469C

59. The Second Schedule to the Miscellaneous Fees and Levies Act is amended—

- (a) in Part A—
 - (i) by deleting paragraph (xv) and substituting therefor the following new paragraph—
 - (xv) all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00;
 - (ii) by inserting the following new paragraph immediately after paragraph (xxxii)—
 - (xxxiii) imported telephones for cellular networks and other wireless networks;

(b) in Part B—

(i) by deleting paragraph (xiii) and substituting therefor the following new paragraph—

(xiii) all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00;

(ii) by inserting the following new paragraph immediately after paragraph (xviii)—

(xix) imported telephones for cellular networks and other wireless networks.

PART VII—STAMP DUTY

Amendment to
section 96A of Cap.
480.

60. Section 96A of the Stamp Duty Act is amended in subsection (1) by adding the following new paragraph immediately after paragraph (b)—

(c) that the effect thereof is to convey or transfer a beneficial interest in property from a person or persons to the real estate investment trust.

MEMORANDUM OF OBJECTS AND REASONS

The Finance Bill, 2026, has been submitted by the Cabinet Secretary for the National Treasury and formulates proposals relating to revenue raising measures including liability to, and collection of taxes.

The Bill proposes to amend the Income Tax Act (Cap. 470), the Value Added Tax Act (Cap. 476), the Excise Duty Act (Cap. 472), the Tax Procedures Act (Cap. 469B), the Miscellaneous Fees and Levies Act (Cap. 469C) and the Stamp Duty Act (Cap. 480).

HON. KIMANI KURIA MP,
Chairperson,
Finance and National Planning Committee.