

Key Highlights of the Finance Bill 2025

What's Changing?

14 May 2025



Kenya's Economic Outlook



Current Year Tax Performance vs Budget

TOTAL REVENUE COLLECTED
Sh2.112
trillion

As of April 30, 2025







Revenue Target

KSh 3.36 trillion (Includes Appropriation-in-Aid — A-i-A)

Proposed Budget
KSh 4.24 trillion

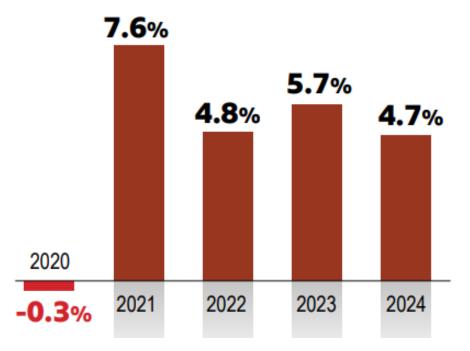
(Up from KSh 4.01 trillion in 2024/2025)

Kenya's Economic Outlook

CDH

- GDP grew at 4.7% in 2024 and is projected to be 4.6%-5% in 2025
- (World Bank & KNBS Economic Survey Report)

GDP Growth Rates (2020 - 2024)





Key Highlights per Sector





Financial & Investment

Nairobi International Financial Centre (NIFC)

- Startups: 15% corporate tax for first 3 years, then 20% for 4 years.
- Preferential treatment 15% for 10 years, then 20% for 10 years.
- a) Large investments (KES 3 Billion+):
- HoldCo: 70% local employees in senior management
- Regional HQ: 60% local employees in senior management
- Dividends exempt if company reinvests KES 250M+ in Kenya.

WHT on qualifying dividends and interest

WHT on such to be a final tax



Real Estate & Housing

Removal of Tax Incentives:

- Scrapped: 15% corporate tax for developers of 100+ residential units.
- Scrapped: VAT exemptions on goods for construction of affordable houses.

Interest Deduction:

• Up to KES 360,000 on home construction loans from formal institutions introduced

Key Highlights...cont





Manufacturing

Investment Allowance Removed:

 100% tax deduction for large capital investments outside Nairobi/Mombasa withdrawn.

Steel Sector:

 Export & Investment Promotion Levy reduced from 17.5% to 10% on key steel inputs.

Automotive

Local Vehicle Assemblers:

- Preferential 15% CIT tax rate scrapped.
- VAT now introduced on inputs for passenger vehicle manufacturing and locally manufactured vehicles.
- VAT for electric bicycles and electric buses changes from zero-rated to exempt



Digital Economy & Technology

Significant Economic Presence Tax (SEPT):

- Scope widened to include services offered via internet/electronic networks.
- KES 5M turnover threshold for non-residents removed

Digital Asset Tax: Reduced from 3% to 1.5%.

Excise on Digital Services: Now includes all internet-based services by non-residents

Key Highlights in Tax Administration





Tax Administration & Compliance

Tax Administration:

- Tax losses to be carried forward limited to 5 years.
- Commissioner must explain amended assessments.
- Extension of enforcement mechanisms to nonresidents.
- Issuance of agency notices even when one has appealed
- Waiver of prohibition to share trade secrets and personal data.
- Refund processing extended from 90 to 120 days; audit refunds from 120 to 180 days.
- Extension of timeline for processing income exemption from 60 to 90 days.
- Timeline for application of VAT refunds reduced from 24 to 12 months
- Objection timelines clarified; weekends/public holidays now counted.

Withholding Relief:

 No liability on withholding agents if the recipient has paid the principal tax.



Key Highlights...cont



Deals Structuring

Stamp Duty Exemption:

- Transfer of property by a company to its shareholders now exempt
- a) property is transferred to the shareholders in proportion to their shareholding
- b) shares should be in a subsidiary of the company undertaking the transfer

CGT Exemption on SEZs

 Gains from transfer of property within an SEZ by a licensed SEZ entity exempt from CGT

Transfer Pricing

Advance Pricing Agreements (APAs):

• Introduced to offer certainty in transfer pricing for multinational and related-party transactions (from Jan 2026).

Minimum top-up tax:

 Payable by the end of the fourth month after companies' year end



Key Highlights for Employees

	Currently	After introduction of the
		proposal on 1 July 2025
	(KES)	(KES)
Gross Pay	100,000	100,000
NSSF Tier 1	(480)	(480)
NSSF Tier II	(3,840)	(3,840)
Social Health Insurance Fund (SHIF)	(2,750)	(2,750)
Housing levy	(1,500)	(1,500)
Personal relief	-	(2,400)
Allowable Deductions	(8,570)	(10,970)
Taxable Pay	91,430	89,030
PAYE (Graduated Scale)	22,212	21,492
Personal relief	(2,400)	-
PAYE Payable	(19,812)	(21,492)
SHIF	(2,750)	(2,750)
NSSF	(4,320)	(4,320)
Affordable Housing Levy	(1,500)	(1,500)
Total Deductions	(28,382)	(30,062)
Net Pay	71,618	69,938



- All employee reliefs and deductions to be applied prior to computing PAYE
- Tax free per diem increased from 2,000 to 10,000



Public Participation Notice



THE NATIONAL ASSEMBLY THIRTEENTH PARLIAMENT - FOURTH SESSION (2025)

IN THE MATTER OF ARTICLE 118 (1)(b) OF THE CONSTITUTION

IN THE MATTER OF CONSIDERATION BY THE NATIONAL ASSEMBLY OF THE FINANCE BILL, 2025 (NATIONAL ASSEMBLY BILLS NO. 19 OF 2025)

INVITATION TO SUBMIT MEMORANDA

WHEREAS, Article 18(1) (b) of the Constitution requires Parliament to facilitate public participation and involvement in the legislative and other business of Parliament and its Committees and Standing Order 127(3) of the National Assembly Standing Orders requires House Committees AND WHEREAS, the Finance Bill, 2025 (National Assembly Bills No. 19 of 2025) has been common to the state of the state of

relating to revenue-raising measures, including provisions to ease tax administration, and clean up the statute book of terms and cross-references to provisions that have been previously repealed. In particular—

- corporate rate of the amount root in the relative world the amount root in the relative to the
- public sector.

 (c) provide for the esemption from income tax of various allowances including payment of gratuity and other allowances just under a public persons referrence; gains on a licensed special coder a public persons not person; gains on a licensed special economic zone developer, enterprise or operator; gains on transfer of escurities traded on the public person of the publi
- soverings in Retriga, in that year of income,
 include the supply of goods to a public entity and the sale
 of scrap in respect to income derived from Management
 or Professional Fees. This is as a consequence of previous
 amendments made in the Tax Laws (Amendment) Bill, 2024;
- amendments made in the Lax Laws (Amendment) bill, QUCA; provide that the tax in respect of Significant Economic Presence shall be payable for income from the provision of services through the internet or an electronic network, including through a digital marketplace.
- emove the threshold of annual turnover of five million that was exempt from the Significant Economic Presence Tax, secause this tax does not apply to residents;

- deduction may be made; ease tax administration by providing the timeline of five years during which a deficit for a year of income may be an allowable deduction, with an additional five years on application to the Cabinet Secretary and based on the recommendation of the

- movement ricing Agreethesists, in provide that where an incorporated business applies to after the date to which the accounts of the business are made up and the Commissioner does not give a decision in six (6) months, the application shall be deemed to be allowed;
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- worth one billion outside Nairobi and Mombasa and preferential tax rates for a company that constructed at least four hundred residential units annually or a company whose business is local assembling of motor vehicles; and
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 - (b) remove the services of radio or television broadcasting services as being deemed to have been supplied in Kenya if

 - in 2023:) reduce the period within which a registered person has made a supply may apply for a refund of already paid tax if they do not receive payment from the person liable to pay the tax from three (3) years to two (2) years. The amendments further provide that the amount may be used to offest any other VMT
 - provide that the amount may be used to offset any sther VAT isability.

 It is a provide that the amount of the amount of the state of t
 - mendation by the competent authority responsible for civil aviation from exempt status to standard rate VAT; delete the exemptions of various items;

 - by the Cablend Societary responsible for matters relating to (3) Tassable goods for the direct and excisive use in the construction and equipping of specialized hespitals with a measurement bed capacity of life, approved by the Cablent sequence of the cablent of the cablent responsible for health who may take quietless for telepromise for health who may take quietless for telepromise for health who may take quietless for respect of the supply of tassable goods and which is force at such commencement shall continue to apply and the supply of the exempted tassable goods are when is not now as the continue of the such commencement shall continue to apply and the supply of the exempted tassable goods and which is not now as such continues to the continue of the continue of such continues to affordable because of the construction of houses under an affordable because goods are

- locally purchased or imported for the manufacture of animal feads, transportation of sugarcane from farms to milling factories; supply of locally assembled and manufactured mobile phones; supply of motorcycles of tariff heading 878.50.00; supply of electric bicycles; supply of solar and bihaum-ion batteries; and the supply of electric buses of fartiff services as being demend in howe been supplied in Narea if femolic transportation of sugression form farms to milling femolic of the supply in a supplied end manufactured (c) remove the obligation of the Commissione to offset excess tax (credit for nort as against output tax), where the excess tax (credit for nort as against output tax), where the excess tax (credit for nort as against output tax), where the excess (2) redictive the period for claiming excess tax from themsity four (24) months to travely (U)months, monds in the year 2022; (2) which were to fast for twelve (U)months, since they lapsed in 2022.
 - (a) define the terms "digital lender", "digital marketplace" and
 - "non-resident person":

 [b] provide that a supply of services made through the internet or

 - Kerrja, shall be deserred to be made in Kerrya. If the services are consumed in Kerrya.

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 - (d) clarify that non-resident persons who are subject to tax in Kanus shall be subject to the power of the Commissioner to
 - collect tax from persons swing money to a taxpayer; to clean up Section 42A to retain only one penalty and, further, to provide that the penalty is only on the amount not

 - (a) to clean up Section ASS to retain only one parsity and, withheld and on the entire amount.
 (7) repeat the provision on appointment of a Digital Service stress of the provision of the entire amount.
 (8) processes the period withheld which the Commissioner shall determine an application for offset or refund from nively (CO) days to one knothed and therein the entire control of the service with the commissioner shall determine an application that point entry (CO) days to one knothed and therein (CO) days the entry (CO) days to one knothed and therein (CO) days the entry (CO) days to one found and application for late algorithm. The period within a papilization for late algorithm, the provision shall begin the run from Commissioner may make a discious what begin to une form data had not shall all discious which begin the course of the data management and reporting system established under extension 50A. In particular, the provision on computing the period for the beginning of an objection to the Commissioners on appeal to
 - lodgement of an objection to the Commissioner, an appeal to Tax Appeals Tribunal, an appeal to the High Court or an appea empower the Cabinet Secretary to waive any penalty or interest imposed under the Act due to an error generated by
 - hose originating from East African Community Partner an electronic tax system.

 (attes that meet the East African Community Rules of [6] The Bill seeks to amend the Stamp Duty Act (Cap. 480) to





- On 12 May 2025, the Departmental Committee on Finance and National Planning published a notice inviting the public to make their submissions on the Finance Bill, 2025
- Memos to be submitted to Parliament or through email financecommitteena@parliament.go.ke and cna@parliament.go.ke
- Deadline: 27 May 2025 at 5:00 pm

Next Steps



Public Participation Stage

Public has been invited to make submissions by 27 May 2025



Committee & Report Stage

Departmental Committee on Finance and National Planning will compile a report based on submissions and provide its recommendations for debate in Parliament



Parliamentary Debate

MPs will debate on the Bill in its entirety and take a vote.



Assent by President

If approved, the Bill will be submitted to the President for assent. If passed it will become law and take effect on 1 July 2025, and some provisions on 1 January 2026.

