

# Key Highlights of the Finance Bill 2025

## What's Changing?

14 May 2025



# Kenya's Economic Outlook



## Current Year Tax Performance vs Budget

As of April 30, 2025



**TOTAL  
REVENUE  
COLLECTED**  
**Sh2.112  
trillion**



**YEAR-ON-YEAR  
GROWTH**

**6.1% INCREASE**

(Compared to Sh1,990 trillion in 2024)



**PERFORMANCE  
AGAINST TARGET**

**96.5% of Sh2.18 trillion goal**



## Revenue Target

**KSh 3.36 trillion**

(Includes Appropriation-in-Aid — A-i-A)

## Proposed Budget

**KSh 4.24 trillion**



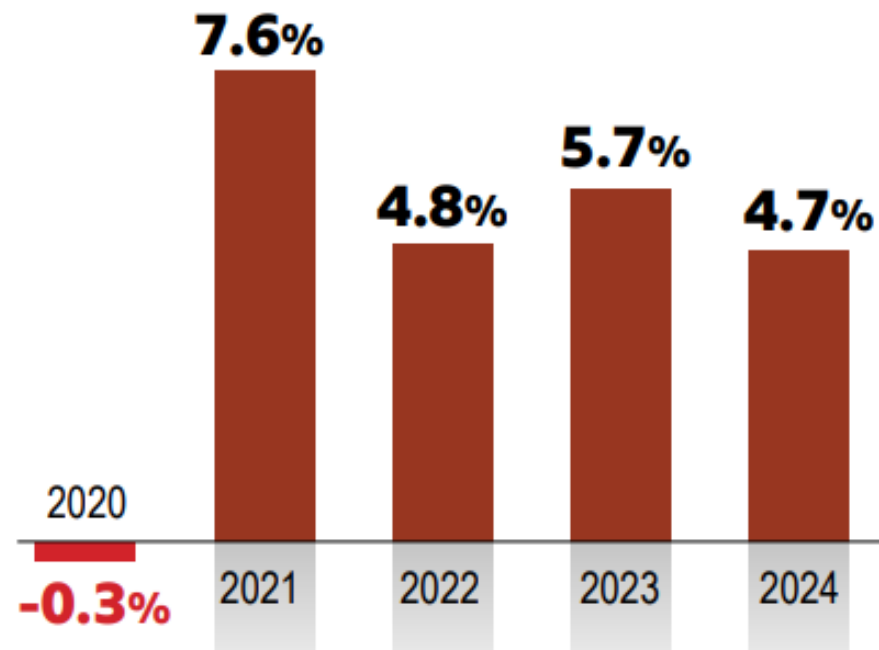
(Up from KSh 4.01 trillion in 2024/2025)

# Kenya's Economic Outlook



- 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+):
  - b) HoldCo: 70% local employees in senior management
  - c) 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- 100% tax deduction for large capital investments outside Nairobi/Mombasa withdrawn.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 non-residents.
- 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)
<b>Gross Pay</b>	100,000	100,000
<b>NSSF Tier 1</b>	(480)	(480)
<b>NSSF Tier II</b>	(3,840)	(3,840)
<b>Social Health Insurance Fund (SHIF)</b>	(2,750)	(2,750)
<b>Housing levy</b>	(1,500)	(1,500)
<b>Personal relief</b>	-	(2,400)
<b>Allowable Deductions</b>	(8,570)	(10,970)
<b>Taxable Pay</b>	91,430	89,030
<b>PAYE (Graduated Scale)</b>	22,212	21,492
<b>Personal relief</b>	(2,400)	-
<b>PAYE Payable</b>	(19,812)	(21,492)
<b>SHIF</b>	(2,750)	(2,750)
<b>NSSF</b>	(4,320)	(4,320)
<b>Affordable Housing Levy</b>	(1,500)	(1,500)
<b>Total Deductions</b>	(28,382)	(30,062)
<b>Net Pay</b>	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





# 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.

