



**DENTONS**

**HAMILTON HARRISON  
& MATHEWS**

# **Tax Alert**

## Finance Bill, 2025

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**May 12, 2025**

## **Tax Alert**

### **Finance Bill 2025**

Budget season is upon us and after the furore occasioned by last year's Finance Bill, the not so anticipated Finance Bill, 2025 has been tabled before the National Assembly. Read on for highlights.

#### **Income Tax Act (ITA)**

##### **Advance Pricing Agreements: introducing certainty to related party transactions**

Effective date: 1 January 2026

The Bill proposes amendments that give the Kenya Revenue Authority (KRA) the power to enter into Advance Pricing Agreements (APA) with taxpayers who carry out related party transactions. APAs will form the basis for determining the arm's length nature of the related party transactions for transfer pricing purposes. Under the proposed amendment, an APA will be valid for five years but could be voided by the KRA where it determines that the taxpayer misrepresented the facts in order to enter into the agreement. In such circumstances, the KRA will issue a notice to the taxpayer voiding the APA.

APAs will bring certainty in determining the arm's-length price in related party transactions, which should give confidence to taxpayers concluding the APAs. This increased certainty will also reduce the incidence of transfer pricing disputes with a desirable spill-over effect on customs valuation on account of importation of goods from related parties.

##### **Loss carry forward period limited to five years**

Effective date: 1 July 2025

Currently, tax losses may be carried forward indefinitely. The Bill proposes to limit the period within which tax losses may be carried forward to the five succeeding years of income following that in which the loss is incurred. If the amendments are passed in their current form, there would be no provision under which a taxpayer could seek an extension of this period.

The requirement to have taxpayers utilise tax losses within five years seems at odds with the prevailing economic environment where it takes several years for businesses and projects to break even, let alone realise profits. Case in point are large infrastructure

projects, which incur significant costs upfront and take several years of income before generating taxable profits. The proposed amendment is also silent on the fate of carried forward losses predating the proposed amendment. Taxpayers will be required to track their losses to avoid losing their entitlement of utilising them upon lapse of five years.

##### **Expanded definition of "royalty"**

Effective date: 1 July 2025

The Bill proposes to broaden the definition of the term "royalty" to include the distribution of software where regular payments are made for the use of the software through the distributor.

In our view, the proposed amendment is moot in light of the fact that the Tax Laws (Amendment) Act, 2024 already brought all payments made on account of any software, proprietary or off-the-shelf within the ambit of a "royalty".

##### **No more preferential Corporate Income Tax rates for housing developers and vehicle assemblers**

Effective date: 1 July 2025

Companies that construct at least 100 residential houses annually pay Corporate Income Tax (CIT) at the reduced rate of 15%. This rate applies in each year of income in which such persons meet the 100-unit threshold. Similarly, motor vehicle assemblers are subject to CIT at this reduced rate for the first five years of income from the year in which they commence operations.

The Bill proposes to scrap this preferential rate of tax, meaning that the affected companies will be subject to CIT at the prevailing rate, which is currently 30%. This will disincentivise potential investors in the two sectors.





### **100% and 150% Investment Deductions done away with**

Effective date: 1 July 2025

The law currently allows taxpayers to claim accelerated Investment Deductions (ID) where they incur significant capital expenditure outside Nairobi and Mombasa counties, or where the investment is in a Special Economic Zone (SEZ). The applicable rate of ID may be either 100% or 150%, depending on the circumstances.

The Finance Bill, 2025 proposes to do away with these accelerated rates, which were introduced to incentivise investments to areas outside the country's two main economic and commercial centres.

### **“Related parties” redefined uniformly across the ITA**

Effective date: 1 July 2025

The Bill has proposed a single definition of “related parties” that will apply to all sections of the ITA. This is in contrast to the current position where the expression has different meanings in different contexts, for example, Transfer pricing vis-à-vis Capital Gains Tax (CGT).

Once passed into law, two persons will be deemed to be related if either of the persons participates directly in the management, control or capital of the business of the other person. In the case of more than two persons, the term will include:

- any other person who participates directly or indirectly in the management, control or capital of the business of the two persons; or
- any individual who
  - participates directly or indirectly in the management, control or capital of the business of the two persons;
  - is associated with the two persons by marriage, consanguinity or affinity; and
  - the two persons participate in the management, control or capital of the business of the individual.

### **Goodies galore for companies certified by the Nairobi International Financial Centre**

Effective date: 1 July 2025

Companies certified by the Nairobi International Financial Centre (NIFC) Authority will be subject to CIT at the rate of 15% in the first 10 years of their operations and 20% for the subsequent 10 years where:

- the company invests at least KES 3 billion in the first three years of operation;
- the company is a holding company with at least 70% of its senior management being Kenyan citizens; and
- the regional headquarters of the company is in Kenya with at least 60% of its senior management being Kenyan citizens.

Startups certified by the NIFC Authority will pay CIT at the reduced rate of 15% for the first three years, and 20% for the succeeding four years.

Furthermore, the Bill proposes to exempt from tax dividends paid by a company certified by the NIFC Authority where the company reinvests at least KES 250 million in Kenya, in that year of income.

These proposals are geared to incentivise investors to register under the NIFC regime and seem to envision the country being a hub for outward investment into the region. With this in mind, perhaps it would be wise to rethink the high capital investment thresholds and the requirements to employ a certain percentage of Kenyan citizens. It would also be prudent to consider the NIFC regime holistically and introduce other reforms that would encourage and ease the free movement of capital into and out of the country. Only then would we see Kenya become a more attractive as a holding company jurisdiction.

### **Tinkering with Significant Economic Presence Tax...**

Effective date: 1 July 2025

The Significant Economic Presence Tax (SEPT) applies to non-resident persons who derive income from Kenya from the provision of services through a business carried out over a digital marketplace. The law currently exempts persons who have an annual turnover of less than KES 5 million from the ambit of SEPT.

The Bill proposes to widen the ambit of SEPT by having it apply to businesses carried out over the internet or an electronic network. The Bill also proposes to do away with the KES 5 million threshold.

It remains to be seen whether this tax as a whole will survive contact with the new protectionist world view prevailing in capital exporting countries. We think not.

### **Higher threshold for tax-free per diems**

Effective date: 1 July 2025

The Bill proposes to increase the tax-free threshold for per diems paid to employees from the current KES 2,000 per day to KES 10,000.

If passed into law, this amendment will put more money in the pockets of employees who spend significant time on business travel.

### **KRA granted more time to make decisions on applications for Income Tax exemption**

Effective date: 1 July 2025

The law currently allows the Commissioner to make a decision on an application for Income Tax exemption within 60 days of the application being lodged. The Bill proposes to extend this timeline by 30 days.

If this proposal is passed into law, taxpayers will have to factor in this 90-day timeline when considering when to make such applications.

### **Automatic approval of change of financial years**

Effective date: 1 July 2025

Currently, a taxpayer who wishes to change their accounting year end is required to make an application to the KRA at least six months before the proposed year end. The Commissioner on his part is required to communicate his decision in writing within six months of receiving the application. The law is, however, silent on the implications of the Commissioner failing to make a decision within the statutory timeline.

The Bill proposes to remedy this defect by providing that an application for a change of year-end will be deemed allowed where the Commissioner fails to communicate his decision within six months.

### **Transfers to single member companies no longer subject to CGT?**

Effective date: 1 July 2025

The Bill proposes to widen the scope of transactions that do not result in a transfer of property for CGT purposes. Specifically, the Bill seeks to exclude transfers to a company where an individual holds 100% shareholding. Whilst the proposed amendment is to be commended, the wording creates ambiguity in that it is not clear whether the individual transferring the property must be the same individual who owns 100% of the company's shareholding. Hopefully, this will be addressed in the Finance Act that is enacted.

## **CGT for SEZ entities clarified**

Effective date: 1 July 2025

The Bill proposes amendments that will bring certainty to the CGT implications of transfers of property within a SEZ. If passed into law, the transfer of property within a SEZ by a licensed SEZ developer, enterprise or operator will be exempt from CGT. This is a welcome change given that the current provisions can best be described as ambiguous.

## **Due date for minimum top-up tax**

Effective date: 1 July 2025

The Minimum top up tax that was introduced in 2024 does not currently have a due date. The Finance Bill, 2025 addresses this by proposing that the tax ought to be payable by the end of the fourth month after the end of the year of income.

## **...and finally**

Effective date: 1 July 2025

The Bill also proposes amendments that:

- Clarify that employers are required to apply all applicable deductions, reliefs and exemptions in computing taxes on their employees' pay. It is debatable whether this was optional in any case.
- Reduce the instances in which multinational enterprises are exempt from filing Country-by-Country reports.
- Reduce the rate of Digital Asset Tax from 3% to 1.5%. HODL!

## **Value Added Tax Act, 2013**

### **VAT on bad debts claimable within two years**

Effective date: 1 July 2025

The Bill proposes to shorten the timeframe within which a supplier who has accounted for and paid tax on a supply, but has not received payment, can apply for a refund of the tax paid from three years to two years. Taxpayers may also now be allowed to offset the taxes paid on these bad debts against existing VAT liabilities and not just future tax liabilities subject to approval by the Commissioner.

These changes should greatly help businesses improve their cashflow positions.

### **Reduced timeline to claim VAT refunds**

Effective date: 1 July 2025

The Bill proposes to reduce the timeline within which a person registered for VAT may claim a VAT refund from the current 24 months to 12 months. This is consistent with the government's efforts to minimise the amount of refunds payable to taxpayers. Businesses will have to ensure that their internal tax compliance systems allow for timely reconciliation of their VAT accounts as well as prompt refund claims to avoid being time barred.

### **Withholding VAT credits only utilisable against VAT**

Effective date: 1 July 2025

Currently, the law permits taxpayers to utilise excess withholding VAT credits against other taxes. The Bill proposes to limit utilisation of these credits to input VAT claims.

This amendment will result in the less than optimal situation of taxpayers having to pay taxes across other tax heads while having unutilised withholding VAT credits.

### **Misuse of zero-rated and exempt supplies to result in VAT being payable**

Effective date: 1 July 2025

Where a person buys goods or services that are either exempt or zero-rated and subsequently disposes of them or uses them in a manner that is inconsistent with the purpose underlying their VAT status, the person will now have to pay VAT on the supplies.







This proposed amendment seeks to curb the abuse of tax exemptions and zero rating. The amendment will ensure that tax relief measures are only enjoyed by those who use the goods and services in accordance with the intended policy objectives.

### **Broadcasting services deemed to be electronic services for “place of supply” rules**

Effective date: 1 July 2025

The Bill proposes to expand the scope of electronic services to include internet, radio or television broadcasting services.

The law currently distinguishes between linear broadcasting and over the top streaming services. If this amendment is passed into law, all broadcasting services will be treated as electronic services. This amendment will limit the instances in which television broadcasters can claim input VAT on their supplies.

### **Reclassification of goods from exempt to standard rated**

Effective date: 1 July 2025

The Bill proposes to reclassify the following goods which are currently exempt to be subject to VAT at the standard rate of 16%. They include:

- Specially designed locally assembled motor vehicles for transportation of tourists.
- Inputs and raw materials used in the manufacture of passenger motor vehicles.

- Locally manufactured passenger motor vehicles.
- The importation and purchase of all aircraft, spacecraft, and parts thereof. Additionally, direction finding compasses, instruments and appliances for aircraft will also be subject to VAT at the standard rate. Aircraft imported by aircraft operators or persons engaged in the business of aircraft maintenance may be exempt from VAT upon recommendation by the Kenya Civil Aviation Authority.

The Bill also proposes to reclassify the following goods from exempt to standard rate with a proviso that all exemptions that have been approved prior to the reclassification would continue to apply until 30 June 2026. They include:

- Taxable goods for direct and exclusive use for the construction of tourism facilities, recreational parks of fifty acres or more, convention and conference facilities.
- Taxable goods for the direct and exclusive use in the construction and equipping of specialized hospitals with a minimum bed capacity of fifty.
- Goods imported or purchased locally for the direct and exclusive use in the construction of houses under an affordable housing scheme.
- Taxable goods, excluding motor vehicles, imported or purchased for direct and exclusive use in geothermal, oil or mining prospecting or exploration by a company granted a prospecting or exploration licence.



- Specialised equipment for the development and generation of solar and wind energy.
- Discs, tapes, solid-state non-volatile storage devices, “smartcards” and other media for the recording of sound or of other phenomena but excluding products of Chapter 37.
- Weighing machinery (excluding balances of a sensitivity of 5 cg or better), of tariff number 8423.10.00 purchased or imported by registered hospitals.

These proposed amendments would increase the cost of the listed supplies, as well as any finished products made or services rendered from them, making these supplies even less affordable for many Kenyans.

#### **Exclusion of fuel, lubricants, and tyres from VAT exemption in official aid funded projects**

Effective date: 1 July 2025

The Bill proposes to explicitly exclude fuels, lubricants, and vehicle tyres from the scope of VAT exemption applicable to taxable goods imported or purchased for the direct and exclusive use in official aid funded projects. While this has been the government’s long-standing position in implementing official aid funded projects, it was not codified in law but often a provision of the agreements entered into by the government.

The proposed amendment seeks to formalise this exclusion to address and prevent ongoing disputes between the taxman and concessionaires regarding the VAT treatment of such consumables under official aid funded projects.

#### **Packaging materials for tea and coffee to be exempt from VAT**

Effective date: 1 July 2025

The Bill proposes the expansion of the scope of exempt goods to include packaging materials for tea and coffee upon recommendation by the CS for Agriculture.

The proposed exemption seeks to promote the export of tea and coffee and aligns with the long list of benefits accorded to the products in order to promote their export.

#### **Reclassification of goods from zero rated to exempt**

Effective date: 1 July 2025

The Bill proposes to reclassify the following goods which are currently zero-rated to be exempt from VAT. They include:

- Inputs or raw materials (either produced locally or imported) supplied to pharmaceutical manufacturers in Kenya for manufacturing medicaments as approved by the CS for National Treasury in consultation with CS responsible for Health.

- Inputs or raw materials locally purchased or imported for the manufacture of animal feeds upon recommendation by the CS for Agriculture.
- Transportation of sugar cane from farms to milling factories.
- The supply of locally assembled and manufactured mobile phones.
- The supply of motorcycles with electric motor for propulsion.
- The supply of electric bicycles.
- The supply of solar and lithium-ion batteries.
- The supply of electric buses for the transport of ten or more persons, including the driver.
- Bioethanol Vapour (BEV) stoves classified under HS Code 7321.12.00 (cooking appliances and plates warmers for liquid fuel).

## **Excise Duty Act, 2015**

### **“Digital Lender” redefined**

Effective date: 1 July 2025

The Bill proposes to define a digital lender as a person extending credit through an electronic medium. The definition excludes licensed banks, SACCO's and microfinance institutions.

This is in contrast with the current position where a digital lender is defined as a person holding a valid digital credit providers licence issued by the Central Bank of Kenya.

The proposed amendment aims to place emphasis on the act of providing credit through an electronic medium as opposed to the licensing of the digital lender. If passed into law, the result of this amendment is that excise duty would be payable regardless of the licensing status of a digital lender.

### **Excisable goods to be classified in accordance with the East African Community Common External Tariff**

Effective date: 1 July 2025

Similar to the Finance Bill of 2024, the 2025 Bill proposes to harmonise classification of excisable goods for excise duty purposes with classification for customs purposes under the EACCET. This is a welcome move which will promote uniformity and universality of classification for tax purposes.

### **Excise duty payable on services offered through the internet, electronic network and digital marketplaces by non-residents**

Effective date: 1 July 2025

The Bill proposes to impose excise duty on services provided by non-resident persons through the internet, electronic network or a digital marketplace. In this context, a digital marketplace is defined as an online platform enabling users to sell goods or provide services to other users.

Currently, excise duty is only imposed on services provided through a digital platform in general.

The proposed amendment seeks to widen the net on taxation of the digital economy with an emphasis on the medium in which services are provided.

### **Decisions on applications for excise duty licenses to be issued within 14 days**

Effective date: 1 July 2025

The Bill proposes to have the KRA respond to applications for excise duty licences within 14 days of receipt.

Although the proposed amendment seeks to counter any delays in the issuance of excise duty licences, it falls short in not specifying the consequences of failure by the KRA to act within the specified timeline.

### **Changes in the rates of excise duty**

Effective date: 1 July 2025

The Bill proposes the following changes in the excise duty rates of the following goods with the exception of those originating from the EAC Partner States and that meet the EAC Rules of Origin:





Product	Current excise duty rate	Proposed excise duty rate
Coal	2.5% of the custom value	2.5% of the excisable value
Imported 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, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90	25% or sh. 75 per kilogramme, whichever is higher	N/A
Imported other self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastic, whether or not in rolls of tariff number 3919.90.90	25% or sh. 75 per kilogramme, whichever is higher	25% of excisable value or Kshs. 200 per kilogramme, whichever is higher.

Product	Current excise duty rate	Proposed excise duty rate
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 7007	35% of custom value or Ksh. 200 per kg	35% of excisable value or KSh.200 per kg, whichever is higher
Printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00	25% or KSh. 150 per kilogramme, whichever is higher	N/A
Printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00	25% or sh. 150 per kilogramme, whichever is higher	N/A

Product	Current excise duty rate	Proposed excise duty rate
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	N/A	25% of excisable value or Kshs. 200 per kilogramme, whichever is higher.
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,	N/A	25% of excisable value or Kshs. 200 per kilogramme, whichever is higher.
Imported printed cellular of other plastics of other plates, sheets, film, foil and strip of tariff number 3921.19.90	N/A	25% of excisable value or Kshs. 200 per kilogramme, whichever is higher.
Printed self-adhesive paper of tariff number 4811.41.90	N/A	25% of excisable value or Kshs. 200 per kilogramme, whichever is higher.

Product	Current excise duty rate	Proposed excise duty rate
Gummed paper and paperboard of tariff number 4811.49.00	N/A	25% of excisable value or Kshs. 200 per kilogramme, whichever is higher.
Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages.	N/A	Ksh. 500 per litre



### **Tax Procedures Act, 2015 (TPA, 2015)**

#### **KRA to provide reasons when issuing amended tax assessments**

Effective date: 1 July 2025

The Bill seeks to amend the law by introducing the express requirement for the KRA to provide reasons when issuing an amended tax assessment.

Whilst the tax legislation does not currently have this requirement, the tenets of fair administrative action apply to KRA's actions, including when issuing assessments. This notwithstanding, the proposed amendment will ensure that taxpayers are informed of the reasons for a change in their assessment.

#### **Relief for payers where a payee has remitted taxes**

Effective date: 1 July 2025

Currently, where a person making a payment that is subject to tax fails to deduct and account for the tax, they are held liable regardless of whether the recipient of the payment pays the taxes in full. This scenario often results in double taxation.

The proposed amendment aims to address this issue by providing that where a payee has paid and accounted for the full tax liability, the payer will not be required to pay the principal tax that was not deducted, withheld, or remitted. This proposed change avoids penalising the payer where the payee has already met their tax obligations.

#### **Stamp Duty exemption for the KRA on security for unpaid taxes**

Effective date: 1 July 2025

Currently, the law allows the KRA to register a security on a taxpayer's property by way of a notification to the Registrar of Lands where a taxpayer has failed to pay tax.

The TPA, 2015 requires the registrar of lands to register the notification by the KRA as if it is an instrument restraining any disposal, mortgage, or charge on the taxpayer's property to secure the amount of the unpaid tax.

The Bill proposes to introduce stamp duty as one of the fees that the Registrar of Lands is required to waive when registering the notification by the KRA. Further, the Bill proposes to exempt stamp duty from a disposal of property by the KRA where the taxpayer fails to pay the liability that led to the notification.

The Bill also proposes to introduce a new requirement where the notification to the Registrar of Lands is not lifted until the liability is fully settled under a payment plan.

The amendments are aimed at making it administratively easier and more cost effective for the KRA to secure tax debts.





### **Non-resident persons to be on the receiving end of agency notices**

Effective date: 1 July 2025

The Bill proposes amendments that will allow the KRA to issue agency notices to an agent or any third party owing money to a non-resident requiring them to pay any taxes due from the non-resident.

### **Lost a tax appeal? Expect an agency notice**

Effective date: 1 July 2025

Currently, the KRA is prohibited from issuing an agency notice if the taxpayer has appealed an assessment upheld by the Tax Appeals Tribunal or court.

The Bill proposes to delete this provision to allow the KRA to issue agency notices immediately after a Tribunal or court decision, even where the taxpayer has filed an appeal to the High Court or Court of Appeal.

Taxpayers will now be required to proactively seek stay orders from the courts if they wish to prevent agency notices from being enforced, even as they pursue the appeal process.

The proposed amendment will likely increase the costs of litigation for taxpayers and provide greater leverage for the KRA in enforcing collection of taxes.

### **Exclusion of input Value Added Tax from offset or refund of overpaid tax**

Effective date: 1 July 2025

Currently, the TPA, 2015 allows a taxpayer who has overpaid a tax to apply to the KRA to offset their outstanding tax debts and future tax liabilities including instalment tax and input value added tax.

The Bill proposes to amend the TPA, 2015 to exclude input value added tax. This proposed amendment will require taxpayers to seek refunds for overpaid input VAT as opposed to making an application to offset against other tax liabilities.

### **Timeline for determination of an application of refund of overpaid tax extended from 90 days to 120 days**

Effective date: 1 July 2025

The Bill proposes amendments that will extend the timeline for the KRA to ascertain and determine an application for a tax refund or offset from 90 days to 120 days.

For applications subjected to an audit, the Bill proposed to extend the period for the KRA to ascertain and determine the application has been extended from 120 to 180 days.

These changes will only serve to increase the amount of time taxpayers have to wait to receive their refunds.



### **Computation of time for objection decisions where late objections are allowed**

Effective date: 1 July 2025

The KRA has the discretion to allow taxpayers to lodge notices of objection beyond the 60-day statutory timeline. Where this occurs, there is ambiguity as to when the KRA's timeline to issue an objection decision runs from. Does the timeline start from the point at which the late notice of objection was lodged or when the KRA allows the application to lodge it out of time?

The Bill proposes to clarify this issue by stating that the KRA's 60-day period for making an objection decision starts on the day the late objection is lodged. This amendment will disincentivise the KRA from extending time for taxpayers to lodge notices of objection as doing so will result in the KRA having to issue objection decisions within a tighter window.

### **No one: KRA: Tell me all your secrets!**

Effective date: 1 July 2025

The law currently prohibits the KRA from requiring taxpayers to integrate or share data that includes trade secrets and private or personal data held on behalf of customers or collected in the course of business.

The Bill proposes to delete this prohibition. This amendment would remove the statutory protection of sensitive commercial and personal data from compulsory integration into the KRA's data management and reporting system.

This amendment likely conflicts with the Data Protection Act, 2019 and taxpayers may face a challenge in meeting the competing compliance obligations. The deletion of the protections for trade secrets may deter investment in Kenya by multinationals.

### **Shorter timelines to file appeal documents**

Effective date: 1 July 2025

The Tax Procedures (Amendment) Act, 2024 amended the Tax Procedures Act, 2015 to exclude Saturdays, Sundays and public holidays in the computation of the period required to undertake actions under the tax laws including the lodging an objection to the KRA, appealing to the Tax Appeals Tribunal, the High Court or Court of Appeal.

This extended timeline to file documents significantly lengthened the amount of time it takes to conclude tax disputes.

The Bill proposes to delete this provision. We applaud this.

### **Waiver of penalties and interest accruing due to electronic system errors**

Effective date: 1 January 2026

Currently, the TPA, 2015 imposes penalties and interest automatically for late payment or failure to remit taxes on time. It does not specifically address issues arising from technical challenges that may arise when facing system errors. The Bill proposes to introduce a new provision that will allow the Cabinet



Secretary responsible for finance to waive penalties and interest on the recommendation of the KRA where the penalty or interest was due to:

- an error generated by an electronic tax system;
- a delay in the updating of an electronic tax system;
- a duplication of a penalty or interest due to a malfunction of an electronic tax system;
- the incorrect registration of the tax obligations of a taxpayer.

The proposed amendment is welcome as it will ensure that taxpayers are not unjustly penalised for issues with iTax that are beyond their control.

### Miscellaneous Fees and Levies Act

#### Changes in the administration of Import Declaration Fee for goods imported or purchased before clearance through customs.

Effective date: 1 July 2025

The Bill proposes the following changes with respect to the Import Declaration Fee (IDF) for the following goods imported or purchased before clearance through customs:

Product	Current position	Proposed change
Aircraft, spacecraft, and parts thereof.	Exempt.	Subject to the IDF.
Any other aircraft spare parts including aircraft engines imported by aircraft operators or persons engaged in the business of aircraft maintenance upon recommendation by the competent authority responsible for civil aviation recommendation by the competent authority responsible for civil aviation.	Exempt.	Subject to the IDF.
All parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00	Subject to the IDF.	Exempt.



**Changes in the administration of the Railway Development Levy for goods imported or purchased before clearance through customs.**

Effective date: 1 July 2025

The Bill proposes the following changes with respect to the Railway Development Levy for the following goods imported or purchased before clearance through customs:

Product	Current position	Proposed change
Aircraft, spacecraft, and parts thereof.	Subject to the RDL.	Exempt.
any other aircraft spare parts including aircraft engines imported by aircraft operators or persons engaged in the business of aircraft maintenance upon recommendation by the competent authority responsible for civil aviationorecommendation by the competent authority responsible for civil aviation.	Exempt.	Subject to the IDF.
all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00.	Subject to the IDF.	Exempt.

**Changes in the rate of the export and investment promotion levy**

Effective date: 1 July 2025

The Bill proposes changes in the applicable rate of the export and investment promotion levy for the following goods:

Product	Current rate	Proposed rate
Semi-finished products of iron or non-alloy steel containing, by weight, <0.25% of carbon; of rectangular (including square) cross section, the width measuring less than twice the thickness.	17.5% of the customs value.	10% of the customs value.
Bars and rods of iron or non-alloy steel, hot-rolled, in irregularly wound coils of circular cross-section measuring less than 14mm in diameter of cross section measuring less than 8 mm.	17.5% of the customs value.	10% of the customs value.
Bars and rods of iron or non-alloy steel, hot-rolled, in irregularly wound coils of circular cross-section measuring less than 14mm in diameter.	17.5% of the customs value.	10% of the customs value.





## **Stamp Duty Act**

### **Exemption from Stamp Duty**

Effective date: 1 July 2025

The Bill proposes to exempt from stamp duty the transfer of property by a company to its shareholders as part of an internal reorganisation.

This transfer, however, must be proportional to their shareholding in the company immediately before the transfer. Additionally, if the property includes shares, these shares should be in a subsidiary of the company undertaking the transfer.



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