



# DIGITAL SERVICE TAX

## DIGITAL SERVICE TAX (DST)

### 1. What is Digital Service Tax (DST)?

This is a tax that is payable on income derived or accrued in Kenya from businesses carried out over the internet or an electronic network including services offered through a digital market place.

### 2. When is DST effective?

Digital service tax (DST) became effective from 1<sup>st</sup> January 2021.

### 3. Who is eligible for DST?

Effective 1<sup>st</sup> July 2021, imposition of DST has been limited to **non-resident persons only**. This means that resident persons are exempted from paying. Persons include corporates and individuals. Residency is defined in Section 2 of the Income Tax Act Cap 470 laws of Kenya. DST.

### 4. What is the rate of DST?

DST is payable at 1.5% of the gross transaction value

Note: The gross transaction value is exclusive of VAT.

### 5. DST tax point

Prior to 1<sup>st</sup> July 2021, DST was payable upon transfer of payment, it is now payable upon offering of a service, that is, it is on accruals basis as opposed to cash basis.

### 6. When is DST due?

DST is due monthly; payments are done on or before the 20<sup>th</sup> day of the month that follows when the digital service was offered. DST is paid through a payment return i.e by generating a payment Receipt Number (PRN), its deemed to have been filed. The PRN enables one to pay the tax at the appointed commercial banks in Kenya.

### 7. What avenues are applicable for DST?

The Finance Act 2021 broadened the scope to electronic services, such that, DST is now applicable on income accruing from businesses carried out over the internet or an electronic network, including a digital marketplace (any platform that enables direct interaction between buyers and sellers of goods and services by electronic means)

### 8. Which incomes are exempt from Digital Service Tax?

- 1). Income subject to Withholding Tax
- 2). Online services provided by Government institution
- 3). Non-resident persons in the business of transmitting messages via radio, cable, optical fibre, television broadcasting, internet satellite or other such methods of communication.
- 4). Services that facilitate borrowing, lending, deposits etc by a bank or financial institution listed in the 4th schedule to the Income Tax act Cap 470 laws of Kenya or licensed/registered by Central bank of Kenya.

### 9. Which other amendments were introduced by the Finance Act 2021

1. Non-residents can use foreign currency when carrying out business over the internet/electronic network including a digital marketplace
2. Vendors to obtain a PIN to carry out businesses over the internet or an electronic network including through digital marketplace.

### 10. Is DST a final tax?

Yes. DST is a final tax; no further declarations are made at the end of the year.



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***Tulipe Ushuru, Tujitegemee!***