Notes: (1) This edition-
   (a) includes the amendments contained in the Finance Act 2021 of 30th June, 2021.
   (b) has been prepared using the Income Tax Act, Revised Edition 2020.

(2) In all cases, references must be made to the actual text of the principal and subsidiary legislation published by the Government Printer and should the terms and text of this copy be at variance with the legislation published by the Government Printer, the latter must be followed.

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Strategy Innovation and Risk Management Department

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# THE INCOME TAX ACT

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CHAPTER 470

THE INCOME TAX ACT

Commencement: 1st January, 1974

An Act of Parliament to make provision for the charge, assessment and collection of income tax; for the ascertainment of the income to be charged; for the administrative and general provisions relating thereto; and for matters incidental to and connected with the foregoing

PART 1 – PRELIMINARY

1. This Act may be cited as the Income Tax Act and shall subject to the Sixth Schedule, come into operation on 1st January, 1974, and apply to assessments for the year of income 1974 and subsequent years of income.

(1A) Where under the provisions of this Act, any accounts, books of accounts or other records are required to be kept, such accounts, books or other records may be kept in written form or on micro-film, magnetic tape or any other form of mechanical or electronic data retrieval mechanism.

2. (1) In this Act, unless the context otherwise requires -
"accounting period" in relation to a person, means the period for which that person makes up the accounts of his business;

"actuary means"

(a) a Fellow of the Institute of Actuaries in England: or of the Faculty of Actuaries in Scotland: or of the Society of Actuaries in the United States of America: or of the Canadian Institute of Actuaries; or

(b) Such other person having actuarial knowledge as the Commissioner of Insurance may approve;

"agency fees" means payments made to a person for acting on behalf of any other person or group of persons, or on behalf of the Government and excludes any payments made by an agent on behalf of a principal when such payments are recoverable;

"annuity contract" means a contract providing for the payment of an individual of a life annuity, and "registered annuity contract" means one which has been registered with the Commissioner in such manner as may be prescribed;

"assessment" means an assessment, instalment assessment, self-assessment or additional assessment made under this Act;

"authorized tax agent" means any person who prepares or advises for remuneration, or who employs one or more persons to prepare for remuneration, any return, statement or other document with respect to a tax under this Act; and for the purposes of this Act, the preparation of a substantial portion of a return, statement or other document shall be deemed to be the preparation of the return, statement or other document;

"bank" means a bank or financial institution licensed under the Banking Act;

"bearer" means the person in possession of a bearer instrument;

"bearer instrument" includes a certificate of deposit, bond, note or any similar instrument payable to the bearer;

"building society" means a building society registered under the Building Societies Act

"business" includes any trade, profession or vocation, and every manufacture, adventure and concern in the nature of trade, but does not include employment;

“collective investment scheme” has the meaning assigned to it in section 2 of the Capital Markets Act;

"commercial vehicle" means a road vehicle which the Commissioner is satisfied
is—

(a) manufactured for the carriage of goods and so used in connection with a trade or business; or

(b) a motor omnibus within the meaning of that term in the Traffic Act; or

(c) used for the carriage of members of the public for hire or reward;

4 of 2004 s.45 Cap.469

"Commissioner" means –

(a) the Commissioner-General appointed under section 11(1) of the Kenya Revenue Authority Act; or

(b) with respect to powers or functions that have been delegated under section 11(4) of the Kenya Revenue Authority Act to another Commissioner, that other Commissioner.

"company" means a company incorporated or registered under any Law in force in Kenya or elsewhere;

9 of 1992 s.35

"compensating tax" means the addition to tax imposed under section 7A;

9 of 2000 s.40

“consultancy fees” means payments made to any person for acting in an advisory capacity or providing services on a consultancy basis;

"contract of service" means an agreement, whether oral or in writing, whether expressed or implied, to employ or to serve as an employee for any period of time, and includes a contract of apprenticeship or indentured learner ship under which the employer has the power of selection and dismissal of the employee, pays his wages or salary and exercises general or specific control over the work done by him; and for the purpose of this definition an officer in the public service shall be deemed to be employed under a contract of service;

8 of 2021 s.2(a)

“control”, in relation to a person, means—

(a) that the person, directly or indirectly, holds at least twenty per cent of the voting rights in a company;

(b) a loan advanced by the person to another person constitutes at least seventy per cent of the book value of the total assets of the other person excluding a loan from a financial institution that is not associated with the person advancing the loan;

(c) a guarantee by the person for any form of indebtedness of another person constitutes at least seventy per cent of the total indebtedness of the other person excluding a guarantee from a financial institution that is not associated with the guarantor;

(d) the person appoints more than half of the board of directors of another
(e) the person is the owner of or has the exclusive rights over the know-how, patent, copyright, trade mark, licence, franchise or any other business or commercial right of a similar nature, on which another person is wholly dependent for the manufacture or processing of goods or articles or business carried on by the other person;

(f) the person or a person designated by that person—
   (i) supplies at least ninety per cent of the supply of the purchases of another person; and
   (ii) upon assessment, the Commissioner deems influence in the price or other conditions relating to the supply of the purchases of another person;

(g) the person purchases or designates a person—
   (i) to purchase at least ninety per cent of the sales of another person; and
   (ii) upon assessment, the Commissioner deems influences in the price or any other conditions of the sales of another person;

(h) the person has any other relationship, dealing or practice with another person which the Commissioner may deem to constitute control;

“corporation rate” means the corporation rate of tax specified in paragraph 2 of Head B of the Third Schedule;

“Court” means the High Court;

“current year of income”, in relation to income charged to instalment tax, means the year of income for which the instalment tax is payable;

“debenture” includes debenture stock, a mortgage, mortgage stock, or any similar instrument acknowledging indebtedness, secured on the assets of the person issuing the debenture; and, for the purposes of paragraphs (d) and (e) of section 7(1), includes a loan or loan stock, whether secured or unsecured;

“deemed interest” means an amount of interest equal to the average ninety-one day Treasury Bill rate, deemed to be payable by a resident person in respect of any outstanding loan provided or secured by the non-resident, where such loan is provided free of interest;

“demurrage charges” deleted by Act No. 23 of 2019 s. 2(a)

"defined benefit provision", in respect of a registered fund, means the terms of the fund under which benefits in respect of each member of the fund are determined in any way other than that described in the definition of a "defined contribution
| provision", |
| 8 of 1991 s.52 | "defined benefit registered fund" means a registered fund that contains a defined benefit provision, whether or not it also contains a defined contribution provision; |
| 8 of 1991 s.52 | "defined contribution provision", in respect of a registered fund, means terms of the fund – |
| | (a) which provide for separate account to be maintained in respect of each member, to which are credited contributions made to the fund by, or in respect of, the member and any other amounts allocated to the member, and to which are charged payments in respect of the member; and |
| | (b) under which the only benefits in respect of a member are benefits determined solely with reference to, and provided by, the amount of the member's account; |
| 8 of 1991 s.52 | "defined contribution registered fund" means a registered fund under which the benefits of a member are determined by a defined contribution provision, and does not contain a defined benefit provision; |
| "director" means - |
| | (a) in relation to a body corporate the affairs of which are managed by a board of directors or similar body, a member of that board or similar body; |
| | (b) in relation to a body corporate the affairs of which are managed by a single director or similar person, that director or person; |
| | (c) in relation to a body corporate the affairs of which are managed by members themselves, a member of the body corporate, and includes any person in accordance with whose directions and instructions those persons are accustomed to act; |
| 6 of 1994 s.33 | "discount" means interest measured by the difference between the amount received on the sale, final satisfaction or redemption of any debt, bond, loan, claim, obligation or evidence of indebtedness, and the price paid on purchase or original issuance of the bond or evidence of indebtedness or the sum originally loaned upon the creation of the loan, claim or other obligation; |
| "dividend" means any distribution (whether in cash or property, and whether made before or during a winding up) by a company to its shareholders with respect to their equity interest in the company, other than distributions made in complete liquidation of the company of capital which was originally paid directly into the company in connection with the issuance of equity interests; |
"due date" means the date on or before which tax is due and payable under this Act or pursuant to a notice issued under this Act;

"employer" includes any resident person responsible for the payment of, or on account of, emoluments to an employee, and an agent, manager or other representative so responsible in Kenya on behalf of a non-resident employer;

"export processing zone enterprise" has the meaning assigned to it by the Export Processing Zones Act, 1990;

"farmer" means a person who carries on pastoral, agricultural or other similar operations;

"foreign tax", in relation to income charged to tax in Kenya, means income tax or tax of a similar nature charged under any law in force in any place with the government of which a special arrangement has been made by the Government of Kenya and which is the subject of that arrangement;

“fund”, means time deposits, treasury bills, treasury bonds, securities traded on any securities exchange approved under the Capital Markets Act and such other categories of assets as may be prescribed in the investment guidelines issued under the Retirement Benefits Act, 1997;

"incapacitated person" means a minor, or a person adjudged under any law, whether in Kenya or elsewhere, to be in a state of unsoundness of mind (however described);

"individual" means a natural person;

"individual rates" means the individual rates of income tax specified in paragraph 1 of Head B of the Third Schedule;

"individual retirement fund" means a fund held in trust by a qualified institution for a resident individual for the purpose of receiving and investing funds in qualifying assets in order to provide pension benefits for such an individual or the surviving dependants of such an individual subject to the Income Tax (Retirement Benefit) Rules and "registered individual retirement fund" means an individual retirement fund where the trust deed for such a fund has been registered with the Commissioner;

“information technology” means any equipment or software for use in storing, retrieving, processing or disseminating information;

“infrastructure bond” means a bond issued by the Government for the financing of a strategic public infrastructure facility including a road, hospital, port, sporting facility, water and sewerage system, a communication network or energy project;

"interest" (other than interest charged on tax) means interest payable in any manner in respect of a loan, deposit, debt, claim or other right or obligation, and
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</tr>
<tr>
<td>15 of 2017, s. 11</td>
<td>“Islamic finance arrangement” means all financial arrangements, including transactions, instruments, products or related activities that are structured in accordance with Islamic law;</td>
</tr>
<tr>
<td>Cap.312</td>
<td>“Kenya” includes the continental shelf and any installation thereon as defined in the Continental Shelf Act;</td>
</tr>
<tr>
<td>15 of 2017, s. 11</td>
<td>“Islamic finance return” means any amount received or paid in relation to Sukuk or an Islamic finance arrangement;</td>
</tr>
<tr>
<td>E.A.Cap.24</td>
<td>&quot;Management Act&quot; means the East African Income Tax Management Act;</td>
</tr>
<tr>
<td>7 of 2002 s.37 10 of 2006 s.16</td>
<td>&quot;Management or professional fee&quot; means a payment made to a person, other than a payment made to an employee by his employer, as consideration for managerial, technical, agency, contractual, professional or consultancy services however calculated;</td>
</tr>
<tr>
<td>38 of 2013 s.9</td>
<td>“Minister” means the Cabinet Secretary for the time being responsible for matters relating to finance;</td>
</tr>
<tr>
<td>Cap 258 8 of 1996 s.27</td>
<td>&quot;National Social Security Fund&quot; means the National Social Security Fund established under Section 3 of the National Social Security Fund Act;</td>
</tr>
<tr>
<td>16 of 2014 s.2</td>
<td>“Natural resource income” means –</td>
</tr>
<tr>
<td></td>
<td>(i) an amount including a premium or such other like amount paid as consideration for the right to take minerals or a living or non-living resource from land or sea; or</td>
</tr>
<tr>
<td></td>
<td>(ii) an amount calculated in whole or in part by reference to the quantity or value of minerals or a living or non-living resource taken from land or sea.</td>
</tr>
<tr>
<td></td>
<td>&quot;Non-resident rate&quot; means an non-resident tax rate specified in paragraph 3 of Head B of the Third Schedule;</td>
</tr>
<tr>
<td></td>
<td>&quot;Notice of objection&quot; means a valid notice of objection to an assessment given</td>
</tr>
</tbody>
</table>
under section 84(1);

### 8 of 1991 s.52
"number of full-year members", in respect of a registered fund, means the sum of the periods of service in the year under the fund of all members of the fund, where the periods are expressed as fractions of a year;

### Cap.469 4 of 2004 s.45
"officer" means the Commissioner and any other member of staff of the Kenya Revenue Authority appointed under section 13 of the Kenya Revenue Authority Act;

### 6 of 1994 s.33
"original issue discount" means the difference between the amount received on the final satisfaction or redemption of any debt, bond, loan, claim, obligation or other evidence of indebtedness, and the price paid on original issuance of the bond or evidence of indebtedness, and the price paid on original issuance of the bond or evidence of indebtedness or the sum originally loaned upon creation of the obligation, loan, claim or other obligation;

"paid" includes distributed, credited, dealt with or deemed to have been paid in the interest or on behalf of a person;

### 38 of 2013 s.9
"pension fund" means a fund for payment of pensions or other similar benefits to employees on retirement, or to the dependants of employees on the death of those employees and "registered pension fund" means one which has been registered with the Commissioner in such manner as may be prescribed;

### 8 of 1991 s.52
"pensionable income" means—

(a) in relation to a member of a registered pension or provident fund or of an individual eligible to contribute to a registered individual retirement fund, the employment income specified in section 3(2)(a)(ii) subjected to deduction of tax under section 37;

(b) in the case of an individual eligible to contribute to a registered individual retirement fund, the gains or profits from business subject to tax under section 3(2)(a)(i) earned as the sole proprietor or as a partner of the business;

Provided that where a loss from business is realized, the loss shall be deemed to be zero;

### 16 of 2014 s.2 8 of 2021 S.2(b)
“permanent establishment” includes—

(a) a fixed place of business through which business is wholly or partly carried on and includes a place of management, a branch, an office, a factory, a workshop, a mine, an oil or gas well, a quarry or any other place of extraction or exploitation of natural resources, a warehouse in relation to a person whose business is providing storage facilities to others, a farm, plantation or other place where agricultural, forestry
plantation or related activities are carried on and a sales outlet;

(b) a building site, construction, assembly or installation project or any supervisory activity connected to the site or project, but only if it continues for a period of more than one hundred and eighty-three days:

Provided that for the purpose of determining whether the period specified in this paragraph has been exceeded—

(i) where a person carries on activities at a place that constitutes a building site or construction or installation project and these activities are carried on during one or more periods of time that, in the aggregate, exceed thirty days but do not exceed one hundred and eighty-three days, and

(ii) connected activities are carried on at the same building site or construction or installation project during different periods of time, each exceeding thirty days, by one or more enterprises closely related to the first-mentioned enterprise, the different periods of time shall be added to the aggregate period of time during which the first-mentioned enterprise has carried on activities at that building site or construction or installation project;

(c) the provision of services, including consultancy services, by a person through employees or other personnel engaged for that purpose, but only where the services or connected business in Kenya, continue for a period of, or periods exceeding in the aggregate, ninety-one days in any twelve-month period commencing or ending in the year of income concerned;

(d) an installation or structure used in the exploration for natural resources:

Provided that the exploration continues for a period of not less than ninety-one days;

(e) a dependent agent of a person who acts on their behalf in respect of any activities which that person undertakes in Kenya including habitually concluding contracts, or playing the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the person,

but excludes the following activities where the activities are of a preparatory or auxiliary character—

(i) the use of facilities solely for the purpose of storage, or display of goods or merchandise belonging to the enterprise;
(ii) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage or display;

(iii) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

(iv) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;

(v) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity; and

(vi) the maintenance of a fixed place of business solely for any combination of activities mentioned in paragraphs (i) to (v).

"permanent or semi-permanent crops" means those crops which the Minister may, by notice in the Gazette, declare to be permanent or semi-permanent crops for the purposes of this Act;

"personal relief" means –

(a) the personal relief provided for under part V; and

(b) the relief mentioned in section 30.

"preceding year assessment", in relation to instalment tax, means the tax assessed for the preceding year of income as of the date the instalment tax is due without regard to subsequent additions to, amendments of, or subtractions from the assessment; and in the event that as of the date the instalment tax is due no assessment for the preceding year of tax has, as yet, been made, means the amount of tax estimated by the person as assessable for the preceding year of income;

"premises" means land, any improvement thereon, and any building or, where part of a building is occupied as a separate dwelling-house, that part;

"provident fund" includes a fund or scheme for the payment of lump sums and other similar benefits, to employees when they leave employment or to the dependants of employees on the death of those employees but does not include a national provident fund or national social security fund established by the Government and "registered provident fund" means one which has been registered with the Commissioner in such manner as may be prescribed;

"public pension scheme" means a pension scheme that pays pensions or lump sums out of the Consolidated Fund;
<table>
<thead>
<tr>
<th>Section</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 of 2002 s.37</td>
<td>&quot;qualifying assets&quot;, in respect of a registered individual retirement;</td>
</tr>
<tr>
<td>3 of 1997 Cap.485A</td>
<td>“fund”, means time deposits, treasury bills, treasury bonds, securities traded on any securities exchange approved under the Capital Markets Act and such other categories of assets as may be prescribed in the investment guidelines issued under the Retirement Benefits Act, 1997;</td>
</tr>
<tr>
<td>10 of 1990 s.38 9 of 1992 s.35</td>
<td>&quot;qualifying dividend&quot; means that part of the aggregate dividend that is chargeable to tax under section 3(2)(b) and which has not been otherwise exempted under any other provision of this Act, but shall not include a dividend paid by a designated co-operative society subject to tax under section 19A(2) or 19A(3);</td>
</tr>
<tr>
<td>7 of 2002 s.37 3 of 1997 Cap.488 Cap.487</td>
<td>&quot;qualifying institution&quot; means a bank licensed under the Banking Act, or an insurer registered under the Insurance Act, or such other financial institution as may be approved under the Retirement Benefits Act, 1997;</td>
</tr>
<tr>
<td>9 of 1992 s.35</td>
<td>&quot;qualifying dividend rate of tax&quot; means the resident withholding tax rate in respect of a qualifying dividend specified in paragraph 5 of the Third Schedule.</td>
</tr>
</tbody>
</table>
| 8 of 1996 s.27 4 of 1999 s.32 Cap 488 Cap 489 2 of 2020, Sch. | "qualifying interest" means the aggregate interest, discount or original issue discount receivable by a resident individual in any year of income:  
Provided that—  
(a) interest earned on an account held jointly by a husband and wife shall be deemed to be qualifying interest; and  
(b) in the case of housing bonds, the aggregate amount of interest shall not exceed three hundred thousand shillings. |
| 4 of 2012 s.9 | "qualifying interest rate of tax" means the resident withholding tax rate in respect of interest specified in paragraph 5 of the Third Schedule; |
| Cap. 485A | “real estate investment trust” shall have the meaning assigned to it in the Capital Markets Act; |
| 8 of 1991 s.52 | "registered fund" means a registered pension fund or a registered provident fund; |
| 13 of 1995 s.73 | "registered home ownership savings plan" means a savings plan established by an approved institution and registered with the Commissioner for receiving and holding funds in trust for depositors for the purpose of enabling individual depositors to purchase a permanent house; |
| | "registered trust scheme" means a trust scheme for the provision of retirement annuities which has been registered with the Commissioner in such manner as may be prescribed; |
| 8 of 1997 s.27 | "registered unit trust" means a unit trust registered by the Commissioner in such |
a manner as may be prescribed;

"registered venture capital company" means a venture capital company registered by the Commissioner in such manner as may be prescribed;

"resident", when applied in relation -

(a) to an individual means -

(i) that he has a permanent home in Kenya and was present in Kenya for any period in a particular year of income under consideration; or

(ii) that he has no permanent home in Kenya but -

(A) was present in Kenya for a period or periods amounting in the aggregate to 183 days or more in that year of income; or

(B) was present in Kenya in that year of income and in each of the two preceding years of income for periods averaging more than 122 days in each year of income;

(b) to a body of persons, means -

(i) that the body is a company incorporated under a law of Kenya; or

(ii) that the management and control of the affairs of the body was exercised in Kenya in a particular year of income under consideration; or

(iii) that the body has been declared by the Minister by notice in the Gazette to be resident in Kenya for any year of income;

"resident withholding rate" means a rate of resident withholding tax specified in paragraph 5 of Head B of the Third Schedule;

7 of 2002s.37 “Retirement Benefits Authority” means the Authority by that name established under the Retirement Benefits Act, 1997;

"return of income" means a return of income furnished by a person consequent upon a notice served by the Commissioner under section 52, including a return of income together with a self-assessment of tax furnished to the Commissioner in accordance with the provisions of section 52B, together with the documents required to be furnished therewith;

"retirement annuity" means a retirement annuity payable under a registered
<table>
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<tr>
<th><strong>Annuity contract;</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Royalty&quot; means a payment made as a consideration for the use of or the right to use -</td>
</tr>
<tr>
<td>(a) the copyright of a literary, artistic or scientific work; or</td>
</tr>
<tr>
<td>(b) a cinematograph film, including film or tape for radio or television broadcasting; or</td>
</tr>
<tr>
<td>(c) a patent, trade mark, design or model, plan, formula or process; or</td>
</tr>
<tr>
<td>(d) any industrial, commercial or scientific equipment,</td>
</tr>
<tr>
<td>or for information concerning industrial, commercial or scientific equipment or experience, and gains derived from the sale or exchange of any right or property giving rise to that royalty;</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th><strong>“Securities exchange” has the meaning assigned to it in section 2 of the Capital Markets Authority Act;</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>8 of 1997 s.27 Cap.485A.</td>
</tr>
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<table>
<thead>
<tr>
<th><strong>“Specified arrangement” means an arrangement for relief from double taxation having effect under section 41 or an agreement for the exchange of tax information under Section 41A;</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>38 of 2013 s.9</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th><strong>“Sukuk” has the meaning assigned to it in the Public Finance Management Act, 2012;</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>15 of 2017, s. 11</td>
</tr>
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<table>
<thead>
<tr>
<th><strong>“Tax” means the income tax charged under this Act;</strong></th>
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<table>
<thead>
<tr>
<th><strong>“Tax computerized system” means any software or hardware for use in storing, retrieving, processing or disseminating information relating to tax.</strong></th>
</tr>
</thead>
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<thead>
<tr>
<th><strong>“Telecommunication operator” means a person licensed as such under the Kenya Information and Communications Act, 1998;</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>8 of 2009 s.16 2 of 1998</td>
</tr>
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<table>
<thead>
<tr>
<th><strong>“Total income” means, in relation to a person, the aggregate amount of his income, other than income exempt from tax under Part III, chargeable to tax under Part II, as ascertained under Part IV;</strong></th>
</tr>
</thead>
</table>

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<thead>
<tr>
<th><strong>“Trade association” means a body of persons which is an association of persons separately engaged in any business with the main object of safeguarding or promoting the business interests of those persons;</strong></th>
</tr>
</thead>
</table>

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<table>
<thead>
<tr>
<th><strong>“Training fee” means a payment made in respect of a business or user training services designed to improve the work practices and efficiency of an organization, and includes any payment in respect of incidental costs associated with provision of such</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>8 of 2008 S. 23 8 of 2009 s.16</td>
</tr>
</tbody>
</table>
Provided that training fees shall not include fees paid for educational services provided by –

- A pre-primary, primary, or secondary school;
- A technical college or university;
- An institution established for the promotion of adult education, vocational training or technical education.

"Tribunal" means the tribunal established under section 83;

"unit holder", in relation to a unit trust, means the owner of an interest in the moneys, investments and other property which are for the time being subject to the trusts governing the unit trust, that interest being expressed in the number of units of which he is the owner;

"unit trust" has the meaning assigned to it in section 2 of the Capital Markets Act;

"venture company" means a company incorporated in Kenya in which a venture capital has invested and which at the time of first investment by the venture company has assets with a market value or annual turnover of less than five hundred million Kenya shillings;

"whole time service director" means a director of a company who is required to devote substantially the whole of his time to the service of that company in a managerial or technical capacity and is not the beneficial owner of, or able, either directly or through the medium of other companies or by any other means, to control more than five per cent of the share capital or voting power of that company;

"wife's employment income" means gains or profits from employment arising from a contract of service which is chargeable to tax under section 3(2)(a)(ii) and pensions, lump sums and withdrawals from a registered fund, public pension scheme or registered individual retirement fund which are chargeable to tax under section 3(2)(c), of a woman living with her husband, excepting income derived by her as a trustee or manager of a settlement created by her husband the income of which is deemed under section 25 or 26 to be the income of the settler or income derived by her as an employee of –

- a partnership in which her husband is a partner;
- her husband; or
- a company, the voting power of which is held to the extent of twelve and one-half per cent or more at any time during the year of income by her or by her husband or by both jointly, either directly or through nominees;
<table>
<thead>
<tr>
<th>&quot;wife's employment income rate&quot; means the wife's employment income rate specified in paragraph 1A of Head B of the Third Schedule;</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;wife's professional income&quot; means the gains or profits of a married woman living with her husband derived from the exercise by her (but not as a partner of a partnership in which her husband is a partner) of one of the professions specified in the Fifth Schedule being also a person who has the qualifications specified in that Schedule relevant to that profession;</td>
</tr>
<tr>
<td>&quot;wife's professional income rate&quot; means the wife's professional income rate specified in paragraph 1A of Head B of the Third Schedule;</td>
</tr>
<tr>
<td>&quot;wife's self-employment income&quot; means gains or profits arising from a business of a married woman living with her husband which are chargeable to tax under section 3(2)(a)(i) and any income chargeable under section 3(2)(a)(iii) or section 3(2)(b), but does not include any income derived from the provision of goods or services by her to a business, partnership or a company owned by or the voting power of which is held to the extent of twelve and one half percent, or more at any one time during the year of income by her or her husband either directly or through nominee;</td>
</tr>
<tr>
<td>&quot;wife's self-employment income rate&quot; means the wife's self-employment income rate specified in paragraph 1A of Head B of the Third Schedule;</td>
</tr>
<tr>
<td>&quot;winnings&quot; includes winnings of any kind and a reference to the amount or the payment of winnings shall be construed accordingly;</td>
</tr>
<tr>
<td>&quot;year of income&quot; means the period of twelve months commencing on 1st January in any year and ending on 31st December in that year.</td>
</tr>
</tbody>
</table>

(2) In relation to any year of income in respect of which an order relating to Tax or personal reliefs has been made under the Provisional Collection of Taxes and Duties Act reference in this Act to rates of tax and personal reliefs shall, so long as the order remains in force, be construed as references to the rates or reliefs specified in that order, and if, after the order has ceased to have effect, the rates of tax and of personal reliefs in relation to that year of income as specified in this Act as amended are different from those referred to in the order, and assessments have already been made having regard to those rates in the order, then all necessary adjustments shall be made to the assessments to give effect to the rates of tax and of personal reliefs for that year of income as specified in this Act as amended for that year of income.

**PART II - IMPOSITION OF INCOME TAX**

3. (1) Subject to, and in accordance with, this Act, a tax to be known as income tax shall be charged for each year of income upon all the income of a person, whether...
resident or non-resident, which accrued in or was derived from Kenya.

(2) Subject to this Act, income upon which tax is chargeable under this Act is income in respect of -

(a) gains or profits from –

(i) a business, for whatever period of time carried on;

(ii) employment or services rendered

(iii) a right granted to another person for use or occupation of property;

(b) dividends or interest;

(c) (i) any pension, charge or annuity; and

(ii) any withdrawal from, or payments out of, a registered pension fund, or a registered provident fund or a registered individual retirement fund; and

(iii) any withdrawals from registered home ownership savings plan.

(ca) income accruing from a business carried out over the internet or an electronic network including through a digital marketplace;

(d) Deleted by Act No. 14 of 1982, s.17

(e) an amount deemed to be the income of a person under this Act or by rules made under this Act;

(f) gains accruing in the circumstances prescribed in, and computed in accordance with, the Eighth Schedule.

(g) subject to section 15(5A), the net gain derived on the disposal of an interest in a person, if the interest derives twenty per cent or more of its value, directly or indirectly, from immovable property in Kenya;

and

(h) a natural resource income;

(2A) The Cabinet Secretary shall make regulations to provide for the mechanisms of implementing the provisions of subsection (2) (ca).

(3) For the purposes of this Section –

(a) "person" does not include a partnership;

(b) a bonus or interest paid by a designated co-operative society, as defined under section 19A, shall be deemed to be a dividend;

(ba) “digital marketplace” means an online or electronic platform which
enables users to sell or provide services, goods or other property to other users.

(c) for the purposes of subsection (2)(g) and section 15(5A) -

(i) “immovable property” means a mining right, an interest in a petroleum agreement, mining information or petroleum information;

(ii) “net gain”, in relation to the disposal of an interest in a person, means the consideration for the disposal reduced by the cost of the interest; and

(iii) the terms “consideration”, “cost”, “disposal”, “interest in a person”, “mining information”, “mining right”, “person”, “petroleum agreement”, and “petroleum information” have the meaning assigned to them in the Ninth Schedule.

<table>
<thead>
<tr>
<th>Income from businesses</th>
<th>4. For the purposes of section 3(2)(a)(i)-</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 of 1984 s.2</td>
<td>(a) where a business is carried on or exercised partly within and partly outside Kenya by a resident person, the whole of the gains or profits from that business shall be deemed to have accrued in or to have been derived from Kenya;</td>
</tr>
<tr>
<td>8 of 2009 s.17</td>
<td>(b) the gains or profits of a partner shall be the sum of -</td>
</tr>
<tr>
<td>4 of 2012 s.10</td>
<td>(i) remuneration payable to him by the partnership together with interest on capital so payable, less interest on capital payable by him to the partnership; and</td>
</tr>
<tr>
<td></td>
<td>(ii) his share of the total income of the partnership, calculated after deducting the total of any remuneration and interest on capital payable to any partner by the partnership and after adding any interest on capital payable by any partner to the partnership, and where the partnership makes a loss, calculated in the manner set out in subparagraph (ii), his gains or profits shall be the excess, if any, of the amount set out in subparagraph (i) over his share of that loss;</td>
</tr>
<tr>
<td></td>
<td>Provided that in computing the total income of a partnership, there shall be deducted the cost of medical expenses or medical insurance cover paid by the partnership for the benefit of any partner, subject to a limit of one million shillings per year.</td>
</tr>
<tr>
<td></td>
<td>(c) a sum received under an insurance against loss of profits, or received by way of damages or compensation for loss of profits, shall be deemed to be gains or profits of the year of income in which it is received;</td>
</tr>
</tbody>
</table>
(d) where in computing gains or profits for a year of income any expenditure or loss has been deducted, or a deduction in respect of any reserve or provision to meet any liability has been made, and in a later year of income the whole or part of that expenditure or loss is recovered, or the whole or part of that liability is released, or the retention in whole or in part of that reserve or provision has become unnecessary, then any sum so recovered or released or no longer required as a reserve or provision shall be deemed to be gains or profits of the year of income in which it is recovered or released or no longer required:

Provided that if the person so chargeable with tax in respect of any such sum requests the Commissioner in writing to exercise his power under this proviso, the Commissioner may divide the sum into as many equal portions, not exceeding six, as he may consider fit, and one such portion shall be taken into account in computing the gains or profits of that person for the year of income in respect which the sum is so deemed to be gains or profits and for each of the previous years of income corresponding to the number of portions;

(e) where under the Second Schedule it is provided that a balancing charge shall be made, or a sum shall be treated as a trading receipt, for any year of income, the amount thereof shall be deemed to be gains or profits of that year of income.

(f) in computing the gains or profits of a “licensee”, “contractor” or “subcontractor” as defined in the Ninth Schedule, the provisions of that Schedule shall apply.

4A. (1) A foreign exchange gain or loss realized on or after 1st January, 1989 in a business carried on in Kenya shall be taken into account as a trading receipt or deductible expenses in computing the gains and profits of that business for the year of income in which that gain or loss was realized:

Provided that:

(i) no foreign exchange gain or loss shall be taken into account to the extent that taking that foreign exchange gain or loss into account would duplicate the amounts of gain or loss accrued in any prior year of income; and

(ii) the foreign exchange loss shall be deferred (and not taken into account) –

(a) where the foreign exchange loss is realized by a company with respect to a loan from a person who, alone or together with four or fewer other persons, is in control of that company and the highest amount of all loans by that company outstanding at any time during the year of income is more than three times the sum of revenue reserves and the issued and
paid up capital of all classes of shares of the company; or

(b) to the extent of any foreign exchange gain that would be realized if all foreign currency assets and liabilities of the business were disposed of or satisfied on the last day of the year of income and any foreign exchange loss so deferred shall be deemed realized in the next succeeding year of income.

(1A) For the avoidance of doubt, accumulated losses shall be taken into account in computing the amount of revenue reserves.

(2) The amount of foreign exchange gain or loss shall be calculated in accordance with the difference between (a times \(r_1\)) and (a times \(r_2\))

\[
\text{where} - \\
\text{a is the amount of foreign currency received, paid or otherwise computed with respect to a foreign currency asset or liability in the transaction in which the foreign exchange gain or loss is realized;}
\text{r}_1 \text{ is the applicable rate of exchange for that foreign currency ("a") at the date of the transaction in which the foreign exchange gain or loss is realized.}
\text{r}_2 \text{ is the applicable rate of exchange for that foreign currency ("a") at the date on which the foreign currency asset or liability was obtained or established or on the 30th December, 1988, whichever date is the later.}
\]

(3) For the purposes of this section, no foreign exchange loss shall be deemed to be realized where a foreign currency asset or liability is disposed of or satisfied and within a period of sixty days a substantially similar foreign currency asset or liability is obtained or established.

(4) For the purposes of this section -

"foreign currency asset or liability" means an asset or liability denominated in, or the amount of which is otherwise determined by reference to, a currency other than the Kenya Shilling;

"company" does not include a bank or a financial institution licensed under the Banking Act.

“all loans” shall have the meaning assigned in section 16(3)

4B. Where a business is carried on by an export processing zone enterprise, the provisions of the Eleventh Schedule shall apply.
5.(1) For the purposes of section 3(2)(a)(ii), an amount paid to -

(a) a person who is, or was at the time of the employment or when the services were rendered, a resident person in respect of any employment or services rendered by him in Kenya or outside Kenya;
or

(b) a non-resident person in respect of any employment with or services rendered to an employer who is resident in Kenya or the permanent establishment in Kenya of an employer who is not so resident,

shall be deemed to have accrued in or to have been derived from Kenya.

(2) For the purposes of section 3(2)(a)(ii), "gains or profits" includes –

(a) wages, salary, leave pay, sick pay, payment in lieu of leave, fees, commission, bonus, gratuity, or subsistence, travelling, entertainment or other allowance received in respect of employment or services rendered and any amount so received in respect of employment or services rendered in a year of income other than the year of income in which it is received shall be deemed to be income in respect of that other year of income:

Provided that –

(i) where such an amount is received in respect of a year of income which expired earlier than four years prior to the year of income in which it was received, or prior to the year of income in which the employment or services ceased, if earlier, it shall be deemed to be income of the year of income which expired five years prior to the year of income in which it was received, or prior to the year of income in which the employment or services ceased; and

(ii) where the Commissioner is satisfied that subsistence, travelling, entertainment or other allowance represents solely the reimbursement to the recipient of an amount expended by him wholly and exclusively in the production of his income from the employment or services rendered then the calculation of the gains or profits of the recipient shall exclude that allowance or expenditure;

(iii) notwithstanding the provisions of sub-paragraph (ii), where such amount is received by an employee as payment of subsistence, travelling, entertainment or other allowance, in respect of a period spent outside his usual place of work while on official duties, the first two thousand shillings per day expended by him for the duration of that period shall be deemed to be reimbursement of the amount so expended and shall be excluded in the calculation of his gains or
profits.

(b) Save as otherwise expressly provided in this section, the value of a benefit, advantage, or facility of whatsoever nature the aggregate value whereof is not less than thirty-six thousand shillings, granted in respect of employment or services rendered;

(c) an amount received as compensation for the termination of a contract of employment or service, whether or not provision is made in the contract for the payment of that compensation:

Provided that, except in the case of a director, other than a whole time service director, of a company the directors whereof have a controlling interest therein -

(i) where the contract is for a specified term, the amount received as compensation on the termination of the contract shall be deemed to have accrued evenly over the unexpired period of the contract;

(ii) where the contract is for an unspecified term and provides for compensation on the termination thereof, the compensation shall be deemed to have accrued in the period immediately following the termination at a rate equal to the rate per annum of the gains or profits from the contract received immediately prior to termination;

(iii) where the contract is for an unspecified term and does not provide for compensation on the termination thereof, any compensation paid on the termination of the contract shall be deemed to have accrued evenly in the three years immediately following such termination;

(d) any balancing charge under Part II of the Second Schedule;

(e) the value of premises provided by an employer for occupation by his employee for residential purposes;

(f) an amount paid by an employer as a premium for an insurance on the life of his employee and for the benefit of that employee or any of his dependants:

Provided that this paragraph shall not apply where such an amount is paid–

(i) to a registered or unregistered pension scheme, pension fund, or individual retirement fund; or

(ii) for a group life policy cover, unless such a cover confers a benefit to the employee or any of his dependants.
(2A) (a) Where an individual is a director or an employee or is a relative of a director or an employee and has received a loan including a loan from an unregistered pension or provident fund by virtue of his position as director or his employment or the employment of the person to whom he is related, he shall be deemed to have received a benefit in that year of income equal to the greater of -

(i) the difference between the interest that would have been payable on the loan received if calculated at the prescribed rate of interest and the actual interest paid on the loan; and

(ii) Zero:

Provided that where the term of the loan extends for a period beyond the date of termination of employment, the provisions of this subsection shall continue to apply for as long as the loan remains unpaid;

(b) For the purposes of this subsection -

"employee" means any person who is not a beneficial owner of or able either directly or indirectly or through the medium of other companies or by any other means to control more than five per cent of the share capital or voting power of that company.

"market lending rates" means the average 91-day treasury bill rate of interest for the previous quarter.

"prescribed rate of interest" means the following -

(i) in the year of income commencing on the 1st January, 1990, 6 per cent;

(ii) in the year of income commencing on the 1st January, 1991, 8 per cent;

(iii) in the year of income commencing on the 1st January, 1992, 10 per cent;

(iv) in the year of income commencing on the 1st January, 1993, 12 per cent;

(v) in the year of income commencing on the 1st January, 1994, 15 per cent;

(vi) in the year of income commencing on or after the 1st January, 1995, 15% or such interest rate based on the market lending rates as the Commissioner may from time to time prescribe, to cover a period of not less than six months but not more than one year, whichever is the lower.

"relative of a director or an employee" means-

(i) his spouse;

(ii) his son, daughter, brother, sister, uncle, aunt, nephew, niece, step-father,
(2B). (a) Where an employee is provided with a motor vehicle by his employer, he shall be deemed to have received a benefit in that year of income equal to the higher of—

(i) such value as the Commissioner may from time to time determine; and

(ii) the prescribed rate of benefit.

Provided that—

(i) where such vehicle is hired or leased from a third party, the employee shall be deemed to have received a benefit in that year of income equal to the cost of hiring or leasing; or

(ii) where an employee has restricted use of such motor vehicle, the Commissioner shall, if satisfied of that fact upon proof by the employee, determine a lower rate of benefit depending on the usage of the motor vehicle.

(2C). For the purposes of subsection (2B)-

"prescribed rate of benefit" means the following rates in respect of each month—

(i) in 1996 year of income 1% of the initial capital expenditure on the vehicle by the employer;

(ii) in 1997 year of income 1.5% of the initial capital expenditure on the vehicle by the employer; and

(iii) in 1998 and subsequent years of income, 2% of the initial expenditure on the vehicle by the employer.

(3) For the purposes of subsection (2)(e), the value of premises, excluding the value of any furniture or other contents so provided, shall be deemed to be—

(a) in the case of a director of a company, other than a whole time service director, an amount equal to the higher of fifteen per centum of his total income excluding the value of those premises and income which is chargeable under section 3(2)(f), the market rental value and the rent paid by the employer;

(b) in the case of a whole time service director, an amount equal to the...
higher of fifteen per centum of the gains or profits from his employment, excluding the value of those premises and income which is chargeable under section 3(2)(f), the market rental value and the rent paid by the employer;

(c) in the case of an agricultural employee required by the terms of employment to reside on a plantation or farm, an amount equal to ten per centum of the gains or profits from his employment:

Provided that for the purposes of this paragraph-

(i) "plantation" shall not include a forest or timber plantation; and

(ii) "agricultural employee" shall not include a director other than a whole time service director.

(d) in the case of any other employee, an amount equal to fifteen per centum of the gains or profits from his employment, excluding the value of those premises or the rent paid by the employer if paid under an agreement made at arm's length with a third party, whichever is the higher:

Provided that-

(i) where the premises are provided under an agreement with a third party which is not at arm’s length, the value of the premises determined under this subsection shall be the fair market rental value of the premises in that year, or the rent paid by the employer, whichever is the higher; or

(ii) where the premises are owned by the employer, the fair market rental value of the premises in that year:

Provided that –

(i) where a person occupies premises for part only of a year of income, the value ascertained under the foregoing provisions shall be reduced by that proportion which is just and reasonable having regard to the period of occupation and the yearly rate of gains or profits from employment;

(ii) where the employee pays rent to his employer for premises, the value ascertained under the foregoing provisions shall be reduced by the amount of rent.

(iii) where part only of any premises is so provided, the Commissioner may reduce the value ascertained under the foregoing provisions to the amount which he considers just and reasonable;

(iv) where the gains or profits from a person’s employment, excluding the
value of the premises provided by the employer, exceed six hundred thousand shillings in the year, the value of the premises determined under this subsection shall be subject to the limit of –

(a) the rent paid by the employer or the fair market rental value of the premises in that year where the premises are provided under an agreement with a third party which is not at arm’s length, whichever is the higher; or

(b) the fair market rental value of the premises in that year where the premises are owned by the employer.

(4) Notwithstanding anything to the contrary in subsection (2) "gains or profits" do not include-

(a) the expenditure on passages between Kenya and any place outside Kenya borne by the employer:

Provided that this paragraph shall not apply to expenditure other than expenditure on the provision of passages for the benefit of an employee recruited or engaged outside Kenya and who is in Kenya solely for the purpose of serving the employer and is not a citizen of Kenya;

(aa) expenditure on vacation trips to destinations in Kenya paid by the employer on behalf of an employee:

Provided that –

(i) this paragraph shall cease to apply on the 1st July, 2015;

(ii) the period of vacation shall not exceed seven days; and

(iii) the term “employee” shall include the immediate family members of the employee;

(b) in the case of a full-time employee or his beneficiaries (which expression includes a whole time service director, or a director who controls more than five percent of the share capital or voting power of a company) the value of any medical services provided by the employer or medical insurance provided by an insurance provider approved by the Commissioner of Insurance and paid for by the employer on behalf of a full-time employee or his beneficiaries:

Provided that in the case of a director other than a whole time service director, the value of the services shall be subject to such limit as the Minister may, from time to time, prescribe.
(c) an amount paid by the employer as a contribution to a registered or unregistered pension fund, provident fund, individual retirement fund or scheme:

Provided that this paragraph shall not apply to any contributions paid by an employer who is not a person chargeable to tax –

(i) to an unregistered pension scheme, unregistered provident fund or unregistered individual retirement fund; or

(ii) to a registered pension scheme, a registered provident fund or a registered individual retirement fund in excess of the amount specified in section 22A or 22B.

(d) education fees of employee's dependants or relatives disallowed under section 16(2)(a)(iv) which have been taxed in the hands of the employer;

(e) fringe benefits subject to tax under Section 12B;

(f) the value of meals served to employees in a canteen or cafeteria operated or established by the employer or provided by a third party who is a registered taxpayer (whether the meals are supplied in the premises of the employer or the premises of the third party) where the value of the meal does not exceed the sum of forty-eight thousand shillings per year per employee;

(g) an amount paid by an employer as gratuity or similar payment in respect of employment or services rendered, which is paid into a registered pension scheme:

Provided that-

(a) this paragraph shall only apply in respect of amounts not exceeding two hundred and forty thousand shillings for each year of service.

(b) This paragraph shall not apply to any person who is eligible for deductions under Section 22A.

(h) For purposes of this subsection –

“beneficiaries” means the full time employee’s spouse and not more than four children whose age shall not exceed twenty-one years.

(5) Notwithstanding any other provision of this Act, the value of the benefit (excluding the value of premises as determined under subsection (3) and the value of benefit determined under subsection(2B)) for the purposes of this section, shall be the higher of the cost to the employer or the fair market value of the benefit:
Provided that-

(a) in the case of an employee share ownership plan, the value of the benefit shall be the difference between the market value, per share, and the offer price, per share, at the date the option is granted by the employer; and

(b) the Commissioner may, from time to time, prescribe the value where the cost or the fair market value of a benefit cannot be determined.

(6) For the purposes of paragraph (a) of the proviso to subsection (5)-

(a) the benefits chargeable shall accrue where such plan is registered with the Commissioner as a collective investment scheme within the meaning of the Capital Markets Authority Act and shall be deemed to have accrued to the employee at the end of the vesting period;

(b) “offer price” means the price at which an employer’s shares are initially offered to an employee under an employee share ownership plan;

(c) “market value”, in relation to a share, means-

(i) where the shares are fully listed on any securities exchange operating in Kenya, the mid-market value on the date the shares were granted by the employer; or

(ii) where the shares are not fully listed, the price which the shares might reasonably be expected to fetch on sale in the open market, which shall be agreed upon with the Commissioner before the grant of the options;

(d) “share option” means the offer made by an employer to an employee to purchase a fixed number of shares at a fixed price, which may be paid for at the end of the vesting period;

(e) “vesting period” means a fixed period of time between the date of offer by the employer and the date after which the option to purchase can be exercised by the employee.

6.(1) For the purposes of section 3(2)(a)(iii), "gains or profits" includes a royalty, rent, premium or similar consideration received for the use or occupation of property.

(2) In the case of a lease or similar transaction, the income of a lessor shall
be determined in accordance with such rules as may be prescribed under this Act.

### Imposition of residential rental income tax

**6A.** (1) Notwithstanding any other provision of this Act, a tax to be known as residential rental income tax shall be payable with effect from the 1st January 2016 by any resident person from income which is accrued in or derived from Kenya for the use or occupation of residential property, and which is in excess of two hundred and eighty-eight thousand shillings but does not exceed fifteen million shillings during any year of income:

Provided that this section shall not apply where a person who would otherwise pay tax under this section, by notice in writing addressed to the Commissioner, elects not to be subject to residential rental income tax, in which case the other provisions of this Act shall apply to such a person.

(2) The Minister may, by notice in the Gazette, prescribe regulations for the better carrying out the provisions of this section.

### Income from dividends

**7.** (1) For the purposes of section 3(2)(b) –

(a) a dividend paid by a resident company shall be deemed to be income of the year of income in which it was payable;

(b) an amount shall be deemed to be a dividend distributed by a company to a shareholder where —

(i) any cash or asset is distributed or transferred by that company to or for the benefit of that shareholder or any person related to that shareholder;

(ii) the shareholder or any person related to that shareholder is discharged from any obligation measurable in money which is owed to that company by that shareholder or related person;

(iii) the amount is used by that company in any other manner for the benefit of the shareholder or any person related to that shareholder;

(iv) any debt owed by the shareholder or any person related to that shareholder to any third party is paid or settled by that company;

(v) the amount represents additional taxable income or reduced assessed loss of that company by virtue of any transaction with the shareholder or related person to such shareholder, resulting from an adjustment."

(2) Notwithstanding section 3(2)(b), a dividend received by a resident company, other than a dividend received by a company which controls directly or indirectly less than twelve and one-half percent of the voting power of the company paying the dividend, shall be deemed not to be income chargeable to tax.

(3) A dividend received by a financial institution specified in the Fourth
7A. Where a dividend is distributed out of gains or profits on which no tax is paid, the company distributing the dividend shall be charged to tax in the year of income in which the dividends are distributed at the resident corporate rate of tax on the gains or profits from which such dividends are distributed:

Provided that this section shall not apply to income which is exempt under this Act.

8. (1) For the purposes of section 3(2)(c), a pension received by a resident individual from a pension fund or pension scheme established outside Kenya shall be deemed to have accrued in or to have been derived from Kenya to the extent to which it relates to employment or services rendered by the individual, or the husband or parent of the individual, in Kenya and the amount so derived shall be the proportion of the total pension which the length of the employment or services in Kenya, including periods of leave earned thereby, bears to the total length of employment or services in respect of which the pension is paid.

(2) For the purposes of this Act, a pension or retirement annuity received by a non-resident individual from a pension fund or pension scheme established in Kenya or under an annuity contract made in Kenya shall be deemed to have accrued in or to have been derived from Kenya.

(3) For the purposes of this Act, a pension received in respect of employment or services rendered to the Community or one of its corporations shall be deemed to have accrued in or to have been derived from Kenya -

(a)if received by a resident individual; or

(b) if received by non-resident individual if the person making payment of the pension was resident in Kenya.

(4) Notwithstanding section 3(2)(c), the first three hundred thousand shillings of the total pensions and retirement annuities received by a resident individual from a registered fund or the National Social Security Fund in a year of income shall be deemed to be income not charged to tax.

(5) Notwithstanding section 3(2)(c), the following sums shall, subject to such rules as the Commissioner may prescribe, be deemed to be income not chargeable to tax –

(a)in the case of a lump sum commuted from a registered pension or individual retirement fund, the first six hundred thousand shillings; or

(b) in the case of a withdrawal from a registered pension or individual
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<th>Rev.</th>
<th>Income Tax Act</th>
<th>2021</th>
<th>Cap. 470</th>
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| 7 of 2002 s.39 | retirement fund upon termination of employment, the lesser of – |
| 15 of 2003 s.31 | (i) the first sixty thousand shillings per full year of pensionable service with that employer starting on the later of the date the pensionable service began, or where the employee had previously received a lump sum payment from that same employer, the date the employee's pensionable service recommenced after receipt of that lump sum; or |
| 8 of 2009 s.20 | (ii) the first six hundred thousand shillings; or |

| 8 of 2009 s.20 | (c) In the case of a lump sum paid out of a registered provident fund (or defined contribution registered fund deemed by the Commissioner to be a provident fund for the purposes of assessing under this paragraph accumulations for the payment of lump sums other than out of a pension), the total of – |
| 15 of 2003 s.31 | (i) the lesser of the first six hundred thousand shillings or the first sixty thousand shillings per full year of pensionable service with that employer starting on the later of the date the pensionable service began or, where the employee had previously received a lump sum payment from that same employer, the date the employee's pensionable service recommenced after receipt of that lump sum; and |
| 8 of 2009 s.20 | (ii) where the registered fund receives no further contributions after 1990 year of income, or where the accumulated funds based on contributions prior to the 1\textsuperscript{st} January, 1991 and contributions after the 31\textsuperscript{st} December, 1990 are segregated, all lump sum payments based on the contributions made prior to 1\textsuperscript{st} January, 1991 or, in any other case, all benefits based on amounts accumulated in the fund on the 31\textsuperscript{st} December, 1990: |

Provided that the trustees or provident fund managers shall have informed the Commissioner in writing by 31\textsuperscript{st} December, 1991 of the accumulated balances and the members of the provident funds as of 31\textsuperscript{st} December, 1990, the names of the registered funds, the names and addresses of such members, the name and address of their employer, and whether the registered provident fund has ceased receiving contributions as of 1\textsuperscript{st} January, 1991 or whether the registered provident fund has segregated its funds; or

| 8 of 2009 s.20 | (d) in the case of a benefit paid out of the National Social Security Fund, the first six hundred shillings; and |
(e) in the case of a lump sum paid out of a registered home ownership savings plan, the amount used for the purchase of an interest in or for the construction of a permanent house for occupation by the depositor within twelve months immediately following the year of withdrawal.

(f) the total pensions or individual retirement and retirement annuities received by a resident individual from an unregistered pension or individual retirement fund or scheme-

   (i) the contributions to which have not been allowed as a deduction under any other provisions of this Act;

   (ii) and the income thereof has been taxed.

(5A) For the purposes of subsection 8(5)(c)(ii), accumulated funds are segregated where –

   (a) the accumulated funds based on contributions prior to the 1st January, 1991 are accounted for separately from contributions after 31st December, 1990; and

   (b) the net accumulated funds on each account earn the average rate of return on all the assets in the fund at the accounting date for a year of income; and

   (c) the net accumulated funds based on contributions prior to 1st January, 1991, are made up of the accumulated balances as at 31st December, 1990 less any withdrawals from the fund plus any investment income earned on the fund up to the accounting date for a year of income.

(6) Upon the death of an employee who is a member or beneficiary of a registered fund –

   (a) the widow, widower or dependants shall qualify as a group for the same tax exempt amount out of pension income and lump sums as are available under subsections (4) and (5) respectively as if such amounts had been received by the employee; and

   (b) where the registered fund provides for no payment of retirement benefits other than the payment of a lump sum to an estate, the first one million four hundred thousand shillings of such a lump sum payment shall be deemed to be income not chargeable to tax as income of the estate or its direct beneficiaries.

(7) Upon the death of the beneficiary of a registered individual retirement fund or registered home ownership savings plan, the balance of funds shall be deemed to have been withdrawn immediately preceding the time of his death and shall be included
in his income for that year, except –

(a) where such funds have been bequeathed to the spouse, the ownership of the fund may be transferred to the spouse; or

(b) where funds are bequeathed to his children under the age of eighteen years at the time of his death, such funds shall be included in the income of such children;

(c) where the funds of a depositor under a registered home ownership savings plan are bequeathed to another depositor, the funds may be transferred to that depositor.

(8) Upon dissolution of the marriage of the beneficiary of a registered individual retirement fund or registered home ownership savings plan, as part of a written agreement, all or part of the balance of funds of that beneficiary may be transferred to a registered individual retirement fund or registered home ownership savings plan in the name of the former spouse of that beneficiary.

(9) Where the Commissioner determines that an individual retirement fund no longer complies with the registration rules, the fund shall be deemed to be no longer an individual retirement fund and the balance of the fund shall be included in the income of the beneficiary in the year of income in which the fund ceased to comply with the rules.

(9A) Where the Commissioner withdraws the registration of a home ownership savings plan, then the balance of the funds held in each depositor's account shall be included in that depositor's income with effect from the beginning of the year of income in which the grounds for the withdrawal arose, except where such funds are transferred to a similar plan in an approved institution within twelve months of the withdrawal of the registration with the prior written approval of the Commissioner in which case such funds shall not be included in the depositor's income.

(10) For the purpose of this section:

(a) pension and lump sums paid from a public pension scheme, shall be deemed to be received from a registered pension fund or registered provident fund, as the case may be;

(b) Any surplus funds in respect of a registered pension fund or a registered provident fund withdrawn by or refunded to an employer shall be deemed to be the income of that employer.

(11) In subsection (10) the expression “surplus funds” means surplus funds identified through an actuarial valuation carried out in accordance with this Act or rules made thereunder.
persons deemed derived from Kenya.  
9 of 2007 s.19

23 of 2019 s. 5

10 of 2006 s.18

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<th>Income from management or professional fees, royalties, interest and rents.</th>
<th>charterer or air transport operator and a ship or aircraft owned or chartered by him calls at any port or airport in Kenya, the gains or profits from that business from the carriage of passengers who embark, or cargo or mail which is embarked, in Kenya shall be the gross amount received on account of the carriage; and those gains or profits shall be deemed to be income derived from Kenya; but this subsection shall not apply to gains or profits from the carriage of passengers who embark, or cargo or mail which is embarked, in Kenya solely as a result of transshipment. Provided that all income of a non-resident shipping line including income from delay in taking delivery of goods or returning any of the equipment used for transportation of goods shall be deemed to be income derived from Kenya. (2) Where a non-resident person carries on, in Kenya, the business of transmitting messages by cable, radio, optical fibre, television broadcasting, Very Small Aperture Terminal (VSAT), internet, satellite or by any other similar method of communication, then the gains and profits from the business shall be the gross amount received for the transmission of messages which are transmitted by the apparatus established in or outside Kenya, whether or not those messages originate from Kenya, and such gains and profits shall be deemed to be income derived from Kenya.</th>
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<td>10. (1) For the purposes of this Act, where a resident person or a person having a permanent establishment in Kenya makes a payment to any other person in respect of-</td>
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<td>(a) a management or professional fee or training fee;</td>
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<td>(b) a royalty or natural resource income;</td>
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<td>(c) interest and deemed interest;</td>
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<td>(d) the use of property;</td>
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<td>(e) an appearance at, or performance in, a public or private place for the purpose of entertaining, instructing, taking part in any sporting event or otherwise diverting an audience;</td>
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<td>(f) an activity by way of supporting, assisting or arranging an appearance or performance referred to in paragraph (e) of this section;</td>
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<td>(g) Winnings</td>
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<td>(i) Deleted by Act No. 23 of 2019, s. 6(a)</td>
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<td>(j) an insurance or reinsurance premium.</td>
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<td>(k) sales promotion, marketing, advertising services, and transportation of goods (excluding air and shipping transport services). the amount thereof shall be deemed to be income which accrued in or</td>
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was derived from Kenya:

Provided that -

(i) this subsection shall not apply unless the payment is incurred in the production of income accrued in or derived from Kenya or in connection with a business carried on or to be carried on, in whole or part, in Kenya;

(ii) this subsection shall not apply to a payment made, or purported to be made, by the permanent establishment in Kenya of a non-resident person to that non-resident person except for deductions provided for by agreements under section 41

(iii) for the avoidance of doubt, the expression “non-resident” shall include both head office and other offices of the non-resident person.

(2) A net gain referred to in section 3(2)(g) is deemed to be income that accrued in or was derived from Kenya.

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

(2) Where an amount included in the income of the trustee, executor or administrator under subsection (1) consists of qualifying dividends or qualifying interest, that amount shall be deemed to be an amount chargeable to tax under section 3(2)(b) and not section 3(2)(e).

(3) Any amount, received as income in a year of income by a person beneficially entitled thereto from a trustee in his capacity as trustee, or paid out of income by the trustee on behalf of that person, shall, subject to this Act, be deemed to be income of that person, and to the extent that any such amount is received or so paid out of income chargeable to tax under this Act on that trustee it shall be deemed to be income -

(a) in any case other than that of an annuity directed to be paid free of tax -

(i) of such gross amount as would, after deduction of tax at the rate paid or payable on that income by the trustee, be equal to the amount received or so paid; and

(ii) that has borne tax at that rate;

in the case of an annuity directed to be paid free of tax, of such gross amount as is equal to the amount of the annuity together with the amount of the sums paid by the trustee to the annuitant to meet the liability of the annuitant to tax on the annuity.
(3A) In the case of a registered trust, sub-section (3) shall only apply to—

(a) any amount that is paid out of the trust income on behalf of any beneficiary and is used exclusively for the purpose of education, medical treatment or early adulthood housing;

(b) income paid to any beneficiary which is collectively below ten million shillings in the year of income;

(c) such other amount as the Commissioner may prescribe from time to time and at such rate as prescribed in paragraph 5 of the Third Schedule.

(4) The trustee, executor or administrator may designate a part or all of the amounts paid by him to a person that is chargeable to tax under subsection (2) to be qualifying dividends or qualifying interest and, in that case, such designated amount shall be deemed to have been already tax paid.

(5) The cumulative totals, at any time, of the amounts designated up to that time by a trustee under subsection (4) as qualifying dividends or qualifying interest shall not exceed the cumulative totals of qualifying dividends or qualifying interest, respectively, received by the trustee, in his capacity as a trustee, after the 31st December, 1990 and up to that time.

(12) Notwithstanding any other provisions of this Act, a tax to be known as instalment tax shall be payable for the year of income commencing on or after the 1st January, 1990 by every person chargeable to tax or any person who has paid provisional tax in any year of income in accordance with the provisions of this section, but a taxpayer shall not be required to pay the instalment tax –

(a) if the minimum tax payable under section 12D is higher than the instalment tax under this section; and

(b) if he has reasonable ground to believe that the whole of the tax payable by him in respect of those emoluments will be recovered under section 37.

(2) The amount of instalment tax payable by any person for any current year of income shall be the lesser of –

(a) the amount equal to the tax that would be payable by that person if his total income for the current year was an amount equal to his instalment income; or

(b) the amount specified in the preceding year assessment multiplied by one hundred and ten percent.

(3) The amount of tax determined under either subsection (2)(a) or (b) shall be reduced by the aggregate of the tax that has been or will be paid in the current year by way of deduction under section 12A, 35, or 37.

(4) The amount of instalment tax required to be paid for any year of income shall be the annual amount calculated in accordance with subsections (2) and (3) but subject
to the proportions as specified in the Twelfth Schedule.

(5) No instalment tax shall be payable by an individual in any year of income where the total tax payable for that year of income is an amount not exceeding forty thousand shillings.

12A. (1) Notwithstanding any other provision of this Act, a tax to be known as advance tax shall be payable commencing on the 1st January, 1996 in respect of every commercial vehicle at the rates specified in the Third Schedule.

(2) The Commissioner may prescribe the conditions and procedures governing the payment of advance tax.

12B. (1) Notwithstanding any other provision of this Act, a tax to be known as fringe benefit tax shall be payable commencing on the 12th June, 1998 by every employer in respect of a loan provided at an interest rate lower than the market interest rate, to an individual who is a director or an employee or is a relative of a director or an employee, by virtue of his position as director or his employment or the employment of the person to whom he is related:

Provided that the fringe benefit tax shall not apply to loans advanced on or before 11th June, 1998.

(2) For the purpose of this section, the taxable value of a fringe benefit shall be in the case of a loan provided after 11th June, 1998, or a loan provided on or before 11th June, 1998 the terms or conditions of which are varied after 11th June, 1998, the greater of:

(i) the difference between the interest that would have been payable on the loan if calculated at the market interest rate and the actual interest paid on the loan; and

(ii) zero:

Provided that where the term of the loan extends for a period beyond the date of termination of employment, the provisions of this section shall continue to apply for as long as the loan remains unpaid.

(3) Fringe benefit tax shall be charged on the total taxable value of a fringe benefit provided by an employer in a month and shall be due and payable on or before the tenth day of the following month:

Provided that the fringe benefit tax charged prior to 1st January, 1999 shall be due and payable on or before 10th January, 1999.

(4) The Commissioner may prescribe the form and manner in which the fringe benefit tax shall be payable and any other period for which the market rate of interest may be applicable.

(5) The provisions of this Act in respect to fines, penalties, Interest charges, objections and appeals shall apply mutatis mutandis to the fringe benefit tax imposed
(6) For the purpose under this section -

"employee" and "relative of a director or employee" shall have the meaning assigned thereto under section 5(2A) of this Act:

"loan" includes a loan from an unregistered pension or provident fund:

“market interest rate" means the average 91-day treasury bill rate of interest for the previous quarter.

12C (1) Notwithstanding any other provision of this Act, a tax to be known as turnover tax shall be payable by any resident person whose turnover from business is more than one million shillings but does not exceed or is not expected to exceed fifty million shillings during any year of income.

(2) Despite subsection (1), a person who would otherwise be liable to pay turnover tax under this section may, by notice in writing addressed to the Commissioner, elect not to be subject to the provisions of this section, in which case the other provisions of this Act shall apply to such person.

(3) Notwithstanding subsection (1), turnover tax shall not apply to—

(a) rental income;
(b) management or professional or training fees; or
(c) Deleted by Act No. 2 of 2020 Sch.;
(d) any income which is subject to a final withholding tax under this Act.

(4) A person subject to turnover tax under this section shall submit a return and pay the tax due to the Commissioner on or before the twentieth day of the month following the end of the tax period.

(5) Deleted by Act No. 2 of 2020 Sch.;

(6) Deleted by Act No. 2 of 2020 Sch.;

(7) A person subject to turnover tax under this section shall be required to keep records necessary for the determination and ascertainment of the tax in accordance with the Tax Procedures Act, 2015.

(8) For purposes of this section “tax period” means a calendar month.

12D. (1) Notwithstanding any other provision of this Act, a tax to be known as minimum tax shall be payable by a person if—

(a) that person’s income is not exempt under this Act;
(b) that person’s income is not chargeable to tax under sections 5, 6A, 12C, the
Eighth or the Ninth Schedules; or

(c) the instalment tax payable by that person under section 12 is lower than the minimum tax.

(d) Deleted by Act No. 8 of 2021 s. 6(a)

(e) Deleted by Act No. 8 of 2021 s. 6(a)

(1A) Notwithstanding the provisions of subsection (1), a person shall not pay minimum tax if that person—

(a) is engaged in business whose retail price is controlled by the Government;

(b) is engaged in insurance business;

(c) is engaged in manufacturing and that person’s cumulative investment in the preceding four years from assent is at least ten billion shillings;

(d) is licensed under the Special Economic Zones Act, 2015; and

(e) is engaged in distribution business whose income is wholly based on a commission.

(2) The tax payable under this section shall be paid in instalments which shall be due on the twentieth day of each period ending on the fourth, sixth, ninth and twelfth month of the year of income.

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Digital service tax

8 of 2020 s.4, 8 of 2021 s.7(a)

12E. (1) Notwithstanding any other provision of this Act, a tax to be known as digital service tax shall be payable by a non-resident person whose income from the provision of services is derived from or accrues in Kenya through a business carried out over the internet or an electronic network including through a digital marketplace.

(2) A person subject to digital service tax shall submit a return and pay the tax due to the Commissioner on or before the twentieth day of the month following the end of the month in which the digital service was offered.

(3) Despite subsection (1), digital service tax shall not apply to income chargeable under section 9(2) or section 35.

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PART III - EXEMPTION FROM TAX

13. (1) Notwithstanding anything in Part II, the income specified in Part I of the First Schedule, which accrued in or was derived from Kenya shall be exempt from tax to the extent so specified.

(2) The Minister may, by notice in the Gazette, provide -

(a) that income or a class of income which accrued in or was derived
from Kenya shall be exempt from tax to the extent specified in the notice;

(b) that an exemption under subsection (1) shall cease to have effect either generally or to the extent specified in the notice.

(3) A notice under subsection (2) shall be laid before the National Assembly without unreasonable delay, and if a resolution is not passed by the assembly within twenty days on which it next sits after the notice is so laid that the notice be annulled, it shall thenceforth be void, but without prejudice to the validity of anything previously done thereunder, or to the issuing of a new notice.

Interest on Government loans, etc. exempt from tax.

14. (1) Notwithstanding anything in Part II, interest payable on the securities specified in Part II of the First Schedule shall be exempt from tax to the extent so specified.

(2) The Minister may, by notice in the Gazette, provide that the interest payable on any loan charged on the Consolidated Fund or on the revenues of any local authority, shall, in so far as that interest is income which accrued in or was derived from Kenya, be exempt from tax, either generally or only in respect of interest payable to persons who are not resident.

PART IV - ASCERTAINMENT OF TOTAL INCOME

15. (1) For the purpose of ascertaining the total income of a person for a year of income there shall, subject to section 16, be deducted all expenditure incurred in that year of income which is expenditure wholly and exclusively incurred by him in the production of that income, and where under section 27 any income of an accounting period ending on some day other than the last day of that year of income is, for the purpose of ascertaining total income for a year of income, taken to be income for a year of income, then the expenditure incurred during that period shall be treated as having been incurred during that year of income.

(2) Without prejudice to subsection (1), in computing for a year of income the gains or profits chargeable to tax under section 3(2)(a), the following amounts shall be deducted -

(a) bad debts incurred in the production of those gains or profits which the Commissioner considers to have become bad, and doubtful debts so incurred to the extent that they are estimated to the satisfaction of the Commissioner to have become bad, during that year of income and the Commissioner may prescribe such guidelines as may be appropriate for the purposes of determining bad debts under this subparagraph;

(b) amounts to be deducted under the Second Schedule in respect of that year of income;

(bb) amounts to be deducted under the Ninth Schedule in respect of that year of income.
of income;

(c) expenditure of a capital nature incurred during that year of income by the owner or occupier of farm land for prevention of soil erosion;

(d) expenditure of a capital nature incurred in that year of income by a person on legal costs and stamp duties in connection with the acquisition of a lease, for a period not in excess of, or expressly capable of extension beyond, ninety-nine years, of premises used or to be used by him in the purposes of his business;

(e) expenditure, other than expenditure referred to in paragraph (f), incurred in connection with a business before the date of commencement of that business where the expenditure would have been deductible under this section if incurred after that date, so, however, that the expenditure shall be deemed to have been incurred on the date on which that business commenced;

(f) in the case of the owner of premises, any sums expended by him during that year of income for structural alterations to the premises where the expenditure is necessary to maintain the existing rent; but no deduction shall be made for the cost of an extension to, or replacement of, those premises;

(g) the amount considered by the Commissioner to be just and reasonable as representing the diminution in value of any implement, utensil or similar article, not being machinery or plant in respect of which a deduction may be made under the Second Schedule, employed in the production of gains or profits;

(h) Deleted by Act No. 8 of 2020 s.5

(i) in the case of gains or profits of the owner of land from the sale of, or the grant of the right to fell, standing timber which was growing on the land at the time the owner acquired the land –

   (i) where the land was acquired for valuable consideration, so much of the consideration as the Commissioner may determine to be just and reasonable as representing the cost of the standing timber; or

   (ii) where no valuable consideration was given for the land, so much of that amount as the Commissioner may determine to be just and reasonable as representing the value of the standing timber at the time the owner acquired the land, as is attributable to the timber sold during that year of income;

(j) in the case of gains or profits from the sale of standing timber by a person who has purchased the right to fell that timber, so much of the price paid for that right as the Commissioner may determine to be just and reasonable as attributable to the timber sold during the year of income;
(l) expenditure of a capital nature incurred in that year of income by the owner or tenant of agricultural land, as defined in the Second Schedule, on clearing that land, or on clearing and planting thereon permanent or semi-permanent crops;

(n) expenditure incurred by a person for the purposes of a business carried on by him being -

(i) expenditure of a capital nature on scientific research; or

(ii) expenditure not of a capital nature on scientific research; or

(iii) a sum paid to a scientific research association approved for the purposes of this paragraph by the Commissioner as being an association which has as its object the undertaking of scientific research related to the class of business to which the business belongs; or

(iv) a sum paid to a university, college, research institute or other similar institution approved for the purposes of this paragraph by the Commissioner for the scientific research mentioned in subparagraph (iii);

(o) any sum contributed in that year of income by an employer to a national provident fund or other retirement benefits scheme established for employees throughout Kenya by the provisions of any written law;

(p) expenditure on advertising in connection with a business to the extent that the Commissioner considers just and reasonable; and for this purpose "expenditure on advertising" includes expenditure intended to advertise or promote, whether directly or indirectly, the sale of the goods or services provided by that business;

(r) an amount equal to one-third of the total gains and profits from employment of an individual who is not a citizen of Kenya and -

(i) whose employer is a non-resident company or partnership trading for profit;

(ii) who is in Kenya solely for the performance of his duties in relation to his employer's regional office, which office has been approved for the purposes of this paragraph by the Commissioner;

(iii) who is absent from Kenya for the performance of those duties for a period or periods amounting in the aggregate to one hundred and twenty days or more in that year of income; and

(iv) whose gains and profits from that employment are not deductible in ascertaining the total income chargeable to tax
8 of 2021 s. 8(a) | under this Act of his employer or of any company or partnership which controls, or is controlled by, that employer;

(s) Deleted by Act No. 8 of 2020 s.5

(ss) Deleted by Act No. 8 of 2020 s.5

(t) expenditure incurred by the lessee in the case of a lease or similar transaction as determined in accordance with such rules as may be prescribed under this Act;

(u) Deleted by Act No. 8 of 2020 s.5

(v) Deleted by Act No. 8 of 2020 s.5

(w) any cash donation in that year of income to a charitable organization registered or exempt from registration under the Societies Act or the Non-Governmental Organizations Coordination Act, 1990, and whose income is exempt from tax under paragraph 10 of the First Schedule to this Act, or to any project approved by the Minister for Finance;

(x) Expenditure of a capital nature incurred in that year of income, with the prior approval of the Minister, by a person on the construction of a public school, hospital, road or any similar kind of social infrastructure;

(y) Expenditure of a capital nature incurred in the purchase or acquisition of an indefeasible right to use a fibre optic cable by a telecommunication operator, provided the amount of deductions shall be limited to five percent per annum;

(z) Expenditure incurred in that year of income by a person sponsoring sports, with the prior approval of the Cabinet Secretary responsible for sports;

(aa) expenditure incurred in that year of income on donations to the Kenya Red Cross, county governments or any other institution responsible for the management of national disasters to alleviate the effects of a national disaster declared by the President.

(ab) Deleted by Act No. 2 of 2020 Sch.

(3) Without prejudice to subsection (1), in ascertaining the total income of a person for a year of income the following amounts shall be deducted -

(a) the amount of interest paid in respect of that year of income by the person upon money borrowed by him and where the Commissioner is satisfied that the money so borrowed has been wholly and exclusively employed by him in the production of investment income which is
chargeable to tax under this Act:

Provided that -

(i) the amount of interest which may be deducted under this paragraph shall not exceed the investment income chargeable to tax for that year of income, and where the amount of that interest paid in that year exceeds the investment income of that year, the excess shall be carried forward to the next succeeding year and deducted only from investment income and, in so far as the interest has not already been so deducted, from investment income of the subsequent years of income; and

(ii) for the purposes of this paragraph, "investment income" means dividends and interest but excludes qualifying dividends and qualifying interest.

(b) the amount of interest not exceeding three hundred thousand shillings paid by him in respect of that year of income upon money borrowed by him from one of the first five financial institutions specified in the Fourth Schedule and applied to the purchase or improvement of premises occupied by him during that year of income for residential purposes:

Provided that -

(i) if any person occupies any premises for residential purposes for part only of a year of income the deduction under this paragraph shall be reduced accordingly; and

(ii) no person may claim a deduction under this paragraph in respect of more than one residence;

(c) (Deleted by 14 of 1982 s. 19)

(d) in the case of a partner, the amount of excess, if any, of his share of any loss incurred by the partnership, calculated after deducting the total remuneration and interest on capital payable to any partner by the partnership and after adding interest on capital payable by any partner to the partnership, over the sum of that remuneration and interest so payable to him less any interest so payable by him;  

(e) (Deleted by 8 of 1978 s.9)

(f) the amount of any loss realized in computing, in accordance with paragraph 5(2), of the Eighth Schedule, gains chargeable to tax under section 3(2)(f); but the amount of any such loss incurred in a year of income shall be deducted only from gains under section 3(2)(f) in that year of income and, in so far as it has not already been deducted, from
gains in subsequent years of income;

(i) in the case of a business which is a sole proprietorship, the cost of medical expenses or medical insurance cover incurred for the benefit of the proprietor, subject to a limit of one million shillings per year.

(4) Where the ascertainment of the total income of a person results in a deficit for a year of income, the amount of that deficit shall be an allowable deduction in ascertaining the total income of such person for that year and the succeeding years of income.

(4A) Notwithstanding subsection (4), the Minister may, on the recommendation of the Commissioner, extend the period of deduction beyond ten years where a person applies through the Commissioner for such extension, giving evidence of inability to extinguish the deficit within that period.

(5) (a) A person to whom this subsection applies who has succeeded to a business, or to a share therein, either as a beneficiary under the will or on the intestacy of a deceased person who carried on, solely or in partnership, that business shall be entitled to a deduction in the year of income in which he so succeeds in respect of that part of any deficit in the total income of the deceased for his last year of income as is attributable to any losses incurred by the deceased in the business in that year of income or in earlier years of income.

(b) This subsection applies to a person who is the widow, widower or child of the deceased person and to a person who was an employee or partner of the deceased person in that business; and, where there are two or more of them, each shall be entitled to a deduction of so much of the whole amount deductible as his share in the business under the will or on the intestacy bears to the sum of the shares of all of them.

(5A) For the purpose section 3(2)(g), the amount of the net gain to be included in income chargeable to tax is –

(a) (Deleted by 14 of 2015 s. 10)

| 16 of 2014 s.7 | The amount computed according the following formula – |
| 14 of 2015 s.10 | A x B/C |

Where –

A is the amount of the net gain;

B is the value of the interest derived, directly or indirectly, from immovable property in Kenya; and

C is the total value of the interest.
(6) For the purposes of this section -

(a) "scientific research" means activities in the fields of natural or applied science for the extension of human knowledge, and when applied to any particular business includes -

(i) scientific research which may lead to, or facilitate, an extension of that business or of businesses in that class;

(ii) scientific research of a medical nature which has a special relation to the welfare of workers employed in that business, or in businesses of that class;

(b) expenditure of a capital nature on scientific research does not include expenditure incurred in the acquisition of rights in, or arising out of, scientific research but, subject thereto, does include all expenditure incurred for the prosecution of, or the provision of facilities for the prosecution of, scientific research.

(7) Notwithstanding anything contained in this Act -

(a) the gains or profits of a person derived from one of the seven sources of income respectively specified in paragraph (e) of this subsection (and in this subsection called "specified sources") shall be computed separately from the gains or profits of that person derived from any other of the specified sources and separately from any other income of that person;

(b) where the computation of gains or profits of a person in a year of income derived from a specified source results in a loss, that loss may only be deducted from gains or profits of that person derived from the same specified source in the following year and, in so far as the loss has not already been so deducted, in subsequent years of income;

(c) the subparagraphs of paragraph (e) shall be construed so as to be mutually exclusive;

(d) gains chargeable to tax under section 3(2)(f) and losses referred to in subsection 3(f) of this section shall not be deemed income or losses derived or resulting from specified sources for the purposes of this subsection;

(e) the specified sources of income are –

(i) rights granted to other persons for the use or occupation of immovable property;

(ii) employment (including former employment) of personal services for wages, salary, commissions or similar rewards (not under an independent contract of service), and a self-employed professional vocation;
(iii) employment the gains or profits from which is wife’s employment income, profession the gains or profits from which is wife’s professional income and wife’s self-employment the gains or profits from which is wife’s self-employment;

(iv) agricultural, pastoral, horticultural, forestry or similar activities, not falling within subparagraphs (i) and (ii), of this paragraph;

(ivA) surplus funds withdrawn or refunded to an employer in respect of registered pension or registered provident funds which are deemed to be the income of the employer under Section 8(10); and

(ivB) income of a licensee from one license area or a contractor from one contract area as determined in accordance with the Ninth Schedule;

(v) other sources of income chargeable to tax under section 3(2)(a), not falling within subparagraph (i), (ii), (iii) or (iv) of this paragraph.

(8) (Deleted by 10 of 2006 s. 21)

16. (1) Save as otherwise expressly provided, for purposes of ascertaining the total income of a person for a year of income, no deduction shall be allowed in respect of –

(a) expenditure or loss which is not wholly and exclusively incurred by him in the production of the income;

(b) capital expenditure, or any loss, diminution or exhaustion of capital.

(2) Notwithstanding any other provision of this Act, no deduction shall be allowed in respect of -

(a) expenditure incurred by a person in the maintenance of himself, his family or establishment or for any other personal or domestic purpose including the following –

(i) entertainment expenses for personal purposes; or

(ii) hotel, restaurant or catering expenses other than for meals or accommodation expenses incurred on business trips or during training courses or work related conventions or conferences, or meals provided to employees on the employer’s premises;

(iii) vacation trip expenses except those customarily made on home leave as provided in the proviso to section 5(4)(a) and (aa);
(iv) educational fees of employee’s dependants or relatives; or
(v) club fees including entrance and subscription fees except as provided in section 15(2)(v).

(b) expenditure or loss which is recoverable under any insurance, contract, or indemnity;

c) income tax or tax of a similar nature including compensating tax paid on income; but, save in the case of foreign tax in respect of which a claim is made under section 41, a deduction shall be allowed in respect of income tax or tax of a similar nature paid on income which is charged to tax in a country outside Kenya to the extent to which that tax is payable in respect of and is paid out of income deemed to have accrued in or to have been derived from Kenya;

d) sums contributed to a registered or unregistered pension, savings, or provident scheme or fund, except as provided in section 15(2)(o), or any sum paid to another person as a pension;

e) a premium paid under an annuity contract;

(f) expenditure incurred in the production of income deemed under section 10 to have accrued in or to have been derived from Kenya where that expenditure was incurred by a non-resident person not having a permanent establishment within Kenya;

(g) (Deleted by 8 of 1978 s.9)

(h) a loss incurred in a business which, having regard to the nature of the business, to the principal occupation of the owner, partners, shareholders or other persons having a beneficial interest therein, to the relationship between those persons or to any other relevant factor, the Commissioner considers it reasonable to regard as not being carried on mainly with a view to the realization of profits; and, without prejudice to the generality of the foregoing, a business shall be deemed not to be carried on for any year of income with a view to the realization of profits where more than one quarter of the amount of the revenue expenditure incurred in that business in that year relates to goods, services, amenities or benefits, or to the production of goods, services, amenities or benefits, which are of a personal or domestic nature enjoyed by the owner, partners, shareholders or other persons having a beneficial interest in the business or a member of the family or the domestic establishment of any such person;

(i) (Deleted by 10 of 2006 s. 22)

(j) gross interest paid or payable to related persons and third parties in excess of thirty per cent of earnings before interest, taxes, depreciation
and amortization of the borrower in any financial year:

Provided that—

(i) any income which is exempt from tax shall be excluded from the calculation of earnings before interest, taxes, depreciation and amortization; and

(ii) this paragraph shall apply to—

(A) interest on all loans;

(B) payments that are economically equivalent to interest; and

(C) expenses incurred in connection with raising the finance.

(iii) this paragraph shall not apply to—

(A) banks or financial institutions licensed under the Banking Act; and

(B) micro and small enterprises registered under the Micro and Small Enterprises Act, 2012;

(ja) an amount of deemed interest where the person is controlled by a non-resident person alone or together with not more than four other persons and where the company is not a bank or a financial institution licensed under the Banking Act.

or an amount of deemed interest where the company is in the control of a non-resident person alone or together with four or fewer other persons and where the company is not a bank or a financial institution licensed under the Banking Act; and for the purposes of this paragraph "control" shall have the meaning ascribed to it in paragraph 32 (1) of the Second Schedule;

Provided that this paragraph—

(i) shall apply to loans advanced to the company by a non-resident associate of the non-resident company controlling the resident company; and

(ii) shall not apply to a company implementing a project under an affordable housing scheme upon recommendation by the Cabinet Secretary responsible for housing.

(k) (Deleted by 8 of 1977, s. 33)
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**Ascertainment of income of farmers in relation to stock.**

17.(1) The stock owned by a farmer at the beginning and end of each period for which he makes up the accounts of his farming business shall, in computing the gains or profits from that business, be taken into account at the value, which the Commissioner may determine to be just and reasonable.

(2) An election duly made by a farmer under section 16 of the Management Act shall be binding upon him for all subsequent years of income in which he carries on the business of farming; but on application in writing by the farmer, the Commissioner may, subject to any adjustment that he may consider appropriate, permit a farmer who has elected not to take into account the value of stock to revoke his election with effect from the year of income prior to that in which the application is made.

(3) Subject to subsection (4), a farmer who has elected not to take into account the value of stock shall be charged for each year of income on all amounts received for stock disposed of by him in any circumstances and whether or not the proceeds thereof would, but for this section, be regarded as capital receipt; and, if a part of the stock is disposed of otherwise than in the open market, he shall be charged on the cost or open market value of that stock, whichever is the lesser, so, however, that in no case shall he be charged on less than the amount received for that stock:

Provided that if the sale of any stock has been undertaken as part of the operations involved in changing from one type of farming to another and the whole or part of the amounts received therefrom has been expended in purchasing stock of a different kind, or on purposes essential to that change where no deduction is allowable under the Second Schedule in respect of that expenditure, the amounts so received, to the extent to which they are so expended, and the amount so expended, shall be disregarded for the purposes of ascertaining his total income for a year of income.

(4) Where a farmer who has elected not to take into account the value of stock ceases to carry on the business of farming, the Commissioner in ascertaining the farmer's total income for the year of income in which cessation takes place, may make such adjustment as he may determine to be just and reasonable in respect of the value...
of stock held by that farmer on 1st January, 1936, or on the date on which he commenced the business whichever date is the later.

(5) A farmer who has elected not to take into account the value of stock shall furnish, when the Commissioner so requires, a statement setting out to the best of his knowledge and belief the value of the stock held by him at any date relevant for the purposes of this section.

(6) Subject to any adjustment referred to in subsection (4) and to such adjustments as the Commissioner would have considered appropriate had an application been received under subsection (2), the executors or administrators of a farmer who has elected not to take into account the value of stock and who dies while carrying on a business of farming shall be charged in respect of stock belonging to the deceased farmer at the time of his death -

(a) if sold in the open market, on the realized price;

(b) if transferred without payment to a beneficiary under the will or on the intestacy of the deceased farmer, on the open market value; but where the beneficiary succeeds to that business of farming and elects, by notice in writing to the Commissioner within one year after the end of the year of income in which the farmer dies, not to take into account the value of stock -

(i) no amount shall be charged on the executors or administrators in respect of the stock transferred to him;

(ii) this section shall be applied to the beneficiary as if he had carried on the business of farming throughout the whole period from the date on which the deceased farmer commenced that business and had made the election which the deceased farmer made;

(c) in any other case, on the open market value, as if that price or value had been income of the farmer for the year of income in which he died.

(7) In this section "stock" means all livestock and produce, and crops which have been harvested.

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18. (1) Where a non-resident person carries on a business in Kenya which consists of manufacturing, growing, mining, or producing, or harvesting, whether from the land or from the water, a product or produce, and sells outside, or for delivery outside Kenya, that product or produce, whether or not the contract of sale is made within or without Kenya, or utilizes that product or produce in a business carried on by him outside Kenya, then the gains or profits from that business carried on in Kenya shall be deemed to be income derived from Kenya and to be gains or profits of such
amount as would have accrued if that product or produce had been sold wholesale to
the best advantage.

(2) Where a bank which is a permanent establishment of a non-resident person
holds outside Kenya any deposits, assets or property acquired from its operations in
Kenya, the gains or profits accruing from such deposits, assets or other property held
outside Kenya shall be deemed to be income accrued in or derived from Kenya.

(3) Where a non-resident person carries on business with a related resident person
or through its permanent establishment and the course of that business is such that it
produces to the resident person or through its permanent establishment either no profits
or less than the ordinary profits which might be expected to accrue from that business
if there had been no such relationship, then the gains or profits of that resident person
or through its permanent establishment or from that business shall be deemed to be the
amount that might have been expected to accrue if the course of that business had
been conducted by independent persons dealing at arm's length.

(4) For the purpose of ascertaining the gains or profits of a Business carried on in
Kenya no deductions shall be allowed in respect of expenditure incurred outside
Kenya by a non-resident person other than expenditure in respect of which the
Commissioner determines that adequate consideration has been given; and, in
particular, no deduction shall be allowed in respect of expenditure -

(a) on remuneration for services rendered by the non-resident directors
(other than whole-time service directors) of a non-resident company
the directors whereof have a controlling interest therein, in excess of
five percent of the total income of that company, calculated before
the deduction of that expenditure, or of twenty-five thousand
shillings, whichever is the greater, but no deduction in excess of one
hundred and fifty thousand shillings shall be allowed;

(b) on executive and general administrative expenses except to the extent
that the Commissioner may determine that expenditure to be just and
reasonable.

(5) When a non-resident person carries on a business in Kenya through a
permanent establishment in Kenya the gains or profits of the permanent establishment
shall be ascertained without any deduction in respect of interest, royalties or
management or professional fees paid or purported to be paid by the permanent
establishment to the non-resident person and by disregarding any foreign exchange loss
or gain with respect to net assets or liabilities purportedly established between the
permanent establishment in Kenya and the non-resident person.

Provided that for the avoidance of doubt, the expression “non-resident person”
shall include both the head office and other offices of the non-resident person.

(6) For the purposes of subsection (3), a person is related to another if -
(a) either person participates directly or indirectly in the management, control or capital of the business of the other; or

(b) a third person participates directly or indirectly in the management, control or capital of the business or both.

(c) an individual, who participates in the management, control or capital of the business of one, is associated by marriage, consanguinity or affinity to an individual who participates in the management, control or capital of the business of the other.

(7) (Deleted by 16 of 2014 s.9)

(8) The Minster may, by rules published in the Gazette-

(a) issue guidelines for the determination of the arm’s length value of a transaction for purposes of this section; or

(b) specify such requirements as he may consider necessary for the better carrying out of the provisions of this section.

18A. (1) Where a resident entity operating in a preferential tax regime carries on business -

(a) with a related resident person not operating in a preferential tax regime; and

(b) the business produces to the resident person not operating in a preferential tax regime either no profits or less than the ordinary profits which would have been expected to accrue from that business if there had been no such relationship, then, the gains or profits of that resident person from that business shall be deemed to be the amount that might have been expected to accrue if the course of that business had been conducted by independent persons dealing at arm’s length.

(2) For the purposes of this section, the expression “preferential tax regime”, with respect to an item of income or profit, means any legislation, regulation or administrative practice which provides a preferential rate of taxation to such income or profit, including reductions in the tax rate or the tax base.

18B. (1) In this section—

“multinational enterprise group” means a group that includes two or more enterprises which are resident in different jurisdictions including an enterprise that carries on business through a permanent establishment or through any other entity in another jurisdiction; and

“ultimate parent entity” means an entity that—

(a) is resident in Kenya for tax purposes;
(b) is not controlled by another entity; and
(c) owns or controls a multinational enterprise group.

(2) An ultimate parent entity of a multinational enterprise group shall submit to the Commissioner a return describing the group’s financial activities in Kenya, where its gross turnover exceeds the prescribed threshold, and in all other jurisdictions where the group has taxable presence, not later than twelve months after the last day of the reporting financial year of the group.

(3) The return submitted under subsection (2) shall contain the prescribed information on the group’s aggregate information including information relating to the amount of revenue, profit or loss before income tax, income tax paid, income tax accrued, stated capital, accumulated earnings, number of employees and tangible assets other than cash or cash equivalents with regard to each jurisdiction in which the group operates.

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Ascertainment of income of insurance companies. 6 of 1994 s.38

19.(1) Notwithstanding anything in this Act, this section shall apply for the purpose of computing the gains or profits of insurance companies from insurance business which is chargeable to tax; and for the purposes of this Act, a mutual insurance company shall be deemed to carry on an insurance business, the surplus from which shall be ascertained in the manner provided for in this section for ascertaining gains or profits and which shall be deemed to be gains or profits which are charged to tax under this Act.

(2) Where an insurance company carries on life insurance business in conjunction with general insurance business of another class, the life insurance business of the company shall be treated as a separate business carried on by the company.

(3) The gains or profits for a year of income from the insurance business, other than life insurance business, of a resident insurance company, whether mutual or proprietary, shall be the amount arrived at after-

(a) taking, for that year of income, the sum of-
   (i) the amount of the gross premiums from that business (less such premiums returned to the insured and such premiums paid on reinsurances as relate to that business); and
   (ii) the amount of other income from that business, including any commission or expense allowance received or receivable from reinsurers and any income derived from investments held in connection with that business; and

(b) deducting from the sum arrived at under paragraph (a) a reserve for unexpired risks referable to that business at the percentage adopted by the company at the end of that year of income and adding thereto the reserve deducted for unexpired risks at the end of the previous year of income; provided that the reserves are estimated on the basis of actuarial principles, including discounting of ultimate costs;
(c) deducting from the figure arrived at under paragraphs (a) and (b)

(i) the amount of the claims admitted in that year of income in connection with that business (provided that claims incurred but not paid or not reported before the end of the accounting period are estimated on the basis of actuarial principles including the discounting of ultimate costs); less any amount recovered in respect thereof under reinsurance; and

(ii) the amount of agency expenses incurred in that year of income in connection with that business; and

(iii) the amount of any other expenses allowable as a deduction (excluding costs and expenses attributable to earning exempt income as determined by the ratio of exempt investment income to the sum of investment income and exempt investment income) in that year of income in computing the gains or profits of that business under this Act.

(4) The gains or profits for a year of income from insurance business, other than life insurance business, of a non-resident insurance company, whether mutual or proprietary, shall be the amount arrived at after –

(a) taking, for that year of income, the sum of-

(i) the amount received or receivable in Kenya of the gross premiums from that business (less such premiums returned to the insured and such premiums paid on reinsurance, other than to the head office of the company, as relate to that business); and

(ii) the amount of other income from that business, not being income from investments, received or receivable in Kenya including any commission or expense allowance received or receivable from reinsurance, other than from the head office of that company, of risks accepted in Kenya; and

(iii) such amount of income from investments as the Commissioner may determine to be just and reasonable as representing income from investment of the reserves referable to that business done in Kenya; and

(b) deducting from the sum arrived at under paragraph (a) a reserve for unexpired risks outstanding at the end of that year of income in respect of policies for which the premiums are received or receivable in Kenya at the percentage adopted by the company in relation to its insurance business, as a whole, other than life insurance, but adding to that sum the reserve deducted for similar unexpired risks at the end of the previous year of income; provided that the reserves are estimated on the basis of actuarial principles, including discounting of ultimate costs; and

(c) deducting from the figure arrived at under paragraphs (a) and (b)-

(i) the amount of the claims admitted in that year of income in connection
with that business (provided that claims incurred but not paid or not
reported before the end of the accounting period are estimated on
the basis of actuarial principles including the discounting of ultimate
costs) less any amount recovered in respect thereof under
reinsurance; and

(ii) the amount of agency expenses incurred in that year of income in
connection with that business; and

(iii) an amount being such proportion as the Commissioner may
determine to be just and reasonable of those expenses of the head
office of that company as would have been allowable as a deduction
in that year of income in computing its gains or profits if the
company had been a resident company in so far as those amounts
relates to policies the premiums in respect of which are received or
receivable in Kenya.

5 of 2008 s.32

8 of 2009 s.24

(5) The gains or profits for a year of income from the life insurance business of a
resident insurance company, whether mutual or proprietary, shall be the sum of the
following-

(a) the amount of actuarial surplus, as determined under the Insurance Act
and recommended by the actuary to be transferred from the life fund for
the benefit of shareholders and policy holders.

(b) any other amounts transferred from the life fund for the benefit of the
shareholders; and

(c) thirty per centum of management expenses and commissions that are
in excess of the maximum amounts allowed by the Insurance Act.

5A Where actuarial valuation of a life fund results in a deficit for a year of
income and the shareholders are required to inject money into the life fund, the amount
of money so transferred shall be treated as a negative transfer for the purposes of
subsection (5)(a):

8 of 2009 s.24

Provided that the amount of negative transfer shall be limited to the actuarial
surplus recommended by the actuary to be transferred from the life fund for the benefit
of shareholders in previous years of income.

6 The gains or profits for a year of income from the life insurance business of a
non-resident insurance company, whether mutual or proprietary, shall be the sum of the
following–

(a) the same proportion of the amount of actuarial surplus recommended by
the actuary to be transferred to the shareholders and policy holders as the
actuarial liability in respect of its long term insurance business in
Kenya bears to the actuarial liability in respect of its total long term
insurance business; and
(b) the same proportion of any other amounts transferred from the life fund for the benefit of shareholders as the actuarial liability in respect of its long term business in Kenya bears to the actuarial liability in respect of its total long term insurance business; and

the same proportion of thirty per cent of management expenses and commissions that are in excess of the maximum amounts allowed by the Insurance Act as the actuarial liability in respect of its long term insurance business in Kenya bears to the actuarial liability in respect of its total long term insurance business.

(6A) Where the actuarial valuation of a life fund results in a deficit for a year of income and the shareholders are required to inject money into the life fund, the proportionate amount of the money so transferred shall be treated as a negative transfer for the purposes of subsection (6)(a):

Provided that the amount of the negative transfer shall be limited to the amount of the actuarial surplus recommended by the actuary to be transferred from the life fund for the benefit of the shareholders in previous years of income.

(6B) For the avoidance of doubt, the gains arising from the transfer of property by an insurance company other than property connected to life insurance business shall be taxed in accordance with the provisions of the Eighth Schedule."

(7) In this section-

“annuity fund” means, where an annuity fund is not kept separately from the life insurance fund of the company, that part of the life insurance fund which represents the liability of the company under its annuity contracts;

“company” includes a body of persons;

“exempt investment income” means dividends chargeable to tax under section 3(2)(a)(i) plus income from disposal of investment shares traded in any securities exchange operating in Kenya;

“investment income” does not include-

(a) dividends chargeable to tax under section 3(2)(a)(i); and

(b) income from the disposal of investment shares traded in any securities exchange operating in Kenya;

“life insurance fund” does not include the annuity fund, if any, that part of the life insurance fund as represents the liability of the company under a registered annuity contract, registered trust scheme, registered pension scheme or registered pension fund;

“Life insurance premiums” means premiums referable to the life insurance business other than annuity business;

“life insurance expenses” means expenses referable to the life insurance business other than annuity business;
8 of 2008, s. 32 | (8) The amount of the gains or profits from insurance business, both from life insurance and from other classes of insurance business, arrived at under this section shall be taken into account together with any other income of the company charged to tax in ascertaining the total income of that company.

(9) Deleted

| Co-operative societies. | 19A. (1) This section shall apply to designated co-operative societies other than -

<table>
<thead>
<tr>
<th>Cap 490</th>
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<tbody>
<tr>
<td>13 of 1984, s20</td>
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<tr>
<td>8 of 1985, s13</td>
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<tr>
<td>38 of 2013 s.12</td>
</tr>
</tbody>
</table>

| a society which has been exempted from all the provisions of the Co-operatives Societies Act under section 92 of that Act; or |

| b a society in respect of which the Commissioner is of opinion, having regard to the number of members composing it, the nature of its business, the manner in which its business is conducted, the extent of its transactions with non-members or any other relevant factors, is a body corporate carrying on business for its own profit. |

| (2) In the case of every designated co-operative society, other than a designated primary society, the income on which tax shall be charged shall be its total income for the year of income deducting therefrom an amount equal to the aggregate of bonuses and dividends declared for that year and distributed by it to its members in money or an order to pay money: but the deduction shall in no case exceed the total income of the society for that year of income. |

| (3) In the case of every designated primary society, other than a designated primary society which is registered and carries on the business as a credit and savings co-operative society to which the provisions of subsection (4) apply, the income on which tax shall be charged shall be its total income for the year of income deducting therefrom an amount equal to the aggregate of bonuses and dividends declared for that year and distributed by it to its members in money or an order to pay money. |

| (4) In the case of a designated primary society which is registered and carries on business as a credit and savings co-operative society its total income for any year of income shall, notwithstanding any other provisions of this Act, be deemed to be the aggregate of – |

| 6 of 2001 s.48 |
| 15 of 2003 s.34 |

| (a) fifty per centum of its gross income from interest (other than interest from its members); |

| (b) its gross income from any right granted for the use or occupation of any property, not being a royalty, ascertained in accordance with provisions of this Act. |

| (c) Gains chargeable to tax under section 3(2)(f); |

| (d) Any other income (excluding royalties) chargeable to tax under this Act not falling within subparagraphs (a), (b) or (c ascertained in accordance |
with the provisions of this Act.

(5) Any loss incurred in respect of any year of income prior to the year of income 1985 shall not be deductible.

(6) Where the written down value of any asset or class of assets cannot be readily ascertained, the Commissioner may, for the purpose of granting any wear and tear allowance in respect of the year of income 1985, determine the amount of the written down value of any assets or class of assets.

(7) In this section -

"bonus" and "dividend" shall, for the purposes of sub-sections (2) and (3), have the same meaning as in the Co-operative Societies Act;

"designated co-operative society" means a co-operative society registered under the Co-operative Societies Act;

"primary society" means a co-operative society registered under the Co-operatives Societies Act the membership of which is restricted to individual persons.

<table>
<thead>
<tr>
<th>Unit Trusts</th>
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<tbody>
<tr>
<td>20.(1) Subject to conditions specified by the Minister under section 130-</td>
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<thead>
<tr>
<th>Collective investment schemes.</th>
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<tr>
<td>(a) a unit trust; or</td>
</tr>
<tr>
<td>(b) a collective investment scheme set up by an employer for purposes of receiving monthly contributions from taxed emoluments of his employees and investing them primarily in shares traded on any securities exchange operating in Kenya;</td>
</tr>
<tr>
<td>(c) a real estate investment trust;</td>
</tr>
<tr>
<td>(d) an investee company of a real estate investment trust.</td>
</tr>
</tbody>
</table>

registered by the Commissioner, shall be exempt from income tax except for the payment of withholding tax on interest income and dividends as a resident person as specified in the Third Schedule to the extent that its unit holders or shareholders are not exempt persons under the First Schedule.

(2) All distributions of income, and all payments for redemption of units or sale of shares received by unit holders or shareholders shall be deemed to have been already tax paid.

<table>
<thead>
<tr>
<th>Members’ Clubs and trade associations.</th>
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<tbody>
<tr>
<td>21.(1) A body of persons which carries on a members’ club shall be deemed to be carrying on a business and the gross receipts on revenue account (including entrance fees and subscriptions) shall be deemed to be income from a business:</td>
</tr>
</tbody>
</table>

Provided that where not less than three-quarters of the gross receipts, other than gross investment receipts, are received from the members of the club, that body of persons shall not be deemed to be carrying on a business and no part of those gross...
receipts, other than gross investment receipts, shall be income.

(2) A trade association may elect, by notice in writing to the Commissioner, in respect of a year of income to be deemed to carry on a business charged to tax, whereupon its gross receipts on revenue account from transactions with its members (including entrance fees and annual subscriptions) and with other persons shall be deemed to be income from business for that and succeeding years of income.

(3) In this section –

“members’ club” means a club or similar institution all the assets of which are owned by or held in trust for the members thereof;

“member” means –

(a) in relation to a members’ club, a person who, while he is a member, is entitled to an interest in all the assets of that club in the event of its liquidation;

(b) in relation to a trade association, a person who is entitled to vote at a general meeting of that trade association;

“gross investment receipts” means gross receipts in respect of interest, dividends, royalties, rents, other payments for rights granted for use or occupation of property, or gains of a kind referred to in paragraph (f) of subsection (2) of section 3.

22.(1) Notwithstanding section 3(2)(c), where payment of an annuity to which this section applies is made, that portion of the payment which represents the capital element thereof, as ascertained under subsection (2) of this section, shall not be deemed to be income.

(2) For the purpose of this section –

(a) an annuity includes an amount payable on a periodic basis, whether payable at intervals longer or shorter than a year;

(b) the portion of each payment of an annuity to which this section applies which represents the capital element thereof shall be that proportion of each payment which the consideration or purchase price for the contract bears to the total payments -

(i) to be made under the contract, in the case of a contract for a term of years certain; or

(ii) expected at the date of the contract to be made under the contract, in the case of a contract under which the continuation of the payments depends in whole or in part upon the survival of an individual;

(c) where the continuation of payments depends in whole or in part upon

| Purchased annuities, other than retirement annuities, etc. | 22.(1) Notwithstanding section 3(2)(c), where payment of an annuity to which this section applies is made, that portion of the payment which represents the capital element thereof, as ascertained under subsection (2) of this section, shall not be deemed to be income.

(2) For the purpose of this section –

(a) an annuity includes an amount payable on a periodic basis, whether payable at intervals longer or shorter than a year;

(b) the portion of each payment of an annuity to which this section applies which represents the capital element thereof shall be that proportion of each payment which the consideration or purchase price for the contract bears to the total payments -

(i) to be made under the contract, in the case of a contract for a term of years certain; or

(ii) expected at the date of the contract to be made under the contract, in the case of a contract under which the continuation of the payments depends in whole or in part upon the survival of an individual;

(c) where the continuation of payments depends in whole or in part upon |
the survival of an individual -

(i) if a table of mortality has been used as the basis for determining the consideration or purchase price for the contract, that table shall be used in computing the payments expected to be made under the contract, calculations being based upon complete expectation of life;

(ii) if no table of mortality has been used as the basis for determining the consideration or purchase price for the contract, such table of mortality as the Commissioner considers appropriate to the case shall be used in computing the payments expected to be made under the contract, calculations being based on complete expectation of life;

(iii) the age of that individual at the date of the contract shall be determined by subtracting the calendar year of his birth from the calendar year in which that date falls;

(d) where the continuation of payments depends upon the survival of an individual and where, in the event of the death of that individual before those payments aggregate a stated sum, the contract provides that the unpaid balance of the stated sum shall be paid either in a lump sum or by installments, then the contract shall be deemed for the purpose of determining the expected term thereof to provide for the continuance of payments thereunder for a minimum term certain equal to the nearest complete number of years required to complete the payment of the stated sum;

(e) where the payments commence on the expiry of a term of years or on the death of an individual, the consideration or purchase price for the contract shall be taken to be -

(i) the lump sum, if any, which the individual entitled to those payments is entitled to receive in lieu thereof; or

(ii) if there is no lump sum, the sum ascertainable from the contract as the present value of the annuity at the date those payments commence; or

(iii) if there is no such sum, the present value of those payments computed as at the date the payments commence on the basis of a rate of interest of four per cent per annum and, where the payments depend upon the survival of an individual, the probabilities of survival of that individual shall be computed according to the table of mortality referred to in paragraph (c).

(3) This section shall apply to annuities, whenever purchased or commencing,
payable under a contract but shall not apply –

(a) to an annuity payable under a registered annuity contract or a registered trust scheme; or

(b) to an annuity purchased under a direction in a will, or purchased to provide for an annuity payable under a will or settlement out of income of property disposed of by that will or settlement; or

(c) to an annuity purchased under a pension scheme or pension fund; or

(d) to an annuity purchased by a person in recognition of the services or past services of another person.

<table>
<thead>
<tr>
<th>Deduction in respect of contributions to registered pension or provident funds.</th>
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<tbody>
<tr>
<td>10 of 1990 s.48</td>
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<tr>
<td>8 of 1991 s.60</td>
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<tr>
<td>9 of 2000 s.44</td>
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<tr>
<td>6 of 2005 s.25</td>
</tr>
</tbody>
</table>

22A. (1) Notwithstanding section 16(2)(d) and (e), the deduction in respect of contributions of an employee in a year shall be limited to the lesser of -

(a) the sum of the contributions made by the employee to registered funds in the year, or

(b) thirty per cent of the employee's pensionable income in the year; or

(c) two hundred and forty thousand shillings (or, where contributions are made to registered funds of the employer in respect of a part year of service of the member, twenty thousand shillings per month of service).

(2) Notwithstanding section 16(2)(d) and (e), the deduction in respect of the contributions made by an employer in a year under defined contribution provisions of registered funds shall be limited to the sum of deductible contributions of the employer in the year under defined contribution provisions of registered funds on behalf of members of the funds:

Provided that, in respect of each member, the sum of the deductible contributions of an employer in a year under the defined contribution provisions of registered funds on behalf of a member of a registered fund means the amount by which the lesser of -

(a) the sum of the contributions in the year made by the employer on behalf of the member under defined contribution provisions of registered funds. Including contributions made out of surplus funds as required under section 22(6)) and by the member to registered funds of the employer; or

(b) thirty per cent of the member's pensionable income from the employer; or

(c) two hundred and forty thousand shillings (or, where contributions are made to registered funds of the employer in respect of a part year of service of the member, twenty thousand shillings per month of service),
exceeds the deductible contributions made by the member in the year to registered funds of the employer under subsection (1).

(3) Notwithstanding section 16(2)(d) and (e), the deduction in respect of the contributions made by an employer in a year under defined benefit provisions of registered funds shall be limited to the amount by which the lesser of -

(a) the sum of the contributions made by the employer and by the employees in the year to registered funds in respect of members of the defined benefit registered funds of the employer; or

(b) thirty per cent of the sum of the pensionable incomes from the employer in the year of members of defined benefit registered funds of the employer; or

(c) two hundred and forty thousand shillings times the number of full year members of defined benefit registered funds of the employer,

exceeds the sum of –

(i) the deductible contributions made in the year to registered funds of the employer by members of registered funds of the employer under subsection (1); and

(ii) the amounts deducted by the employer for the year for contributions made under defined contribution provisions of registered funds under subsection (2) in respect of the members of the defined benefit registered funds.

(4) In determining the deductible amounts that can be made to registered funds by employees and by employers, subsection (1) shall be applied before subsection (2) and subsection (2) shall be applied before subsection (3).

(5) Pension funds in respect of an employee may be transferred to another registered fund or registered individual retirement fund and not be treated as a withdrawal under section 3(2)(c) –

(a) where an employee retires or terminates his employment with an employer and joins the services of another employer and requests funds to be transferred from the former employer's registered fund to the new employer's registered fund; or

(b) where an employer establishes a new registered fund and transfers the existing pension rights of an employee to that new registered fund; or
(c) where an employee terminates his employment with an employer and requests funds, which would otherwise be withdrawn or commuted as a lump sum, to be transferred to a registered individual retirement fund; or

(d) where an employee and the employer agree mutually to transfer funds relating to the existing retirement benefits right of that employee from one registered fund of the employer to another registered fund of that employer provided that the trust deeds of both registered funds allow such a transfer; or

(e) where an individual beneficiary directs that all funds in a registered individual retirement fund be transferred directly to another such fund;

Provided that, in all cases, the Commissioner is notified in such form as he may from time to time direct.

(6) Where a defined contribution registered fund is determined by an audit to have surplus funds, such funds shall be allocated to the accounts of members in lieu of contributions by an employer in each subsequent year until the surplus is exhausted.

(7) Where a registered fund is wound up, any surplus funds therein shall be deemed to be the funds of the employer and shall be immediately withdrawn by the employer unless the trust deed in respect of such registered fund specifies the contrary.

(8) For the purposes of this section, contributions made to the National Social Security Fund shall be deemed to be contributions made to a defined contribution registered pension fund.

22B. (1) An individual who is not a member of a registered fund or a public pension scheme at any time in a year of income commencing on or after the 1st January, 1994 shall be eligible to contribute to a registered individual retirement fund up to the amount deductible under subsection (2).

(2) Notwithstanding the provisions of section 16(2)(d) and (e), the deduction in respect of contributions of an individual to a registered individual retirement fund in a year shall be limited to the lesser of -

(a) the sum of the contributions made by the individual or by the employer of the individual on his behalf on or before the 31st of December of the year; or

(b) thirty percent of pensionable income of the individual in that year; or

(c) two hundred and forty thousand shillings (or, where contributions are made on behalf of the individual by his employer in respect of a part of a year of
### Avoidance of tax liability by non-distribution of dividends.

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
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<tbody>
<tr>
<td>8 of 1978, s.9</td>
<td>Avoidance of tax liability by non-distribution of dividends.</td>
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### Transactions designed to avoid liability to tax.

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
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<tbody>
<tr>
<td>8 of 2020 s.6</td>
<td>Repealed by Act No. 8 of 2020 s.6</td>
</tr>
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</table>

### 23.(1) Where the Commissioner is of the opinion that the main purpose or one of the main purposes for which a transaction was effected (whether before or after the passing of this Act) was the avoidance or reduction of liability to tax for a year of income or that the main benefit which might have been expected to accrue from the transaction in the three years immediately following the completion thereof was the avoidance or reduction of liability to tax, he may, if he determines it to be just and reasonable, direct that such adjustments shall be made as respects liability to tax as he considers appropriate to counteract the avoidance or reduction of liability to tax which could otherwise be effected by the transaction.

23.(2) Without prejudice to the generality of the powers conferred by subsection (1), those powers shall extend -

(a) to the charging to tax of persons who, but for the adjustments, would not be charged to the same extent;

(b) to the charging of a greater amount of tax than would be charged but for the adjustments.

23.(3) A direction of the Commissioner under this section shall specify the transaction or transactions giving rise to the direction and the adjustments as respects liability to tax which the Commissioner considers appropriate.

### 24.(1) Where the Commissioner is of the opinion that a company has not distributed to its shareholders as dividends within a reasonable period, not exceeding twelve months, after the end of its accounting period that part of its income for that period which could be so distributed without prejudice to the requirements of the company's business, he may direct that that part of the income of the company shall be treated for the purposes of this Act as having been distributed as a dividend to the shareholders in accordance with their respective interests and shall be deemed to have
been paid on a date twelve months after the end of that accounting period.

(2) The Commissioner may direct that a charge be made upon a company in respect of adjustments to the liability of a shareholder as a result of a direction under subsection (1):

Provided that -

(i) if a charge is made, the company shall be entitled to recover from the shareholder the amount of tax attributable to the adjustment made in respect of that shareholder; and

(ii) where an adjustment is made under this section relating to the distributable profits of a company and those profits are subsequently distributed, the proportionate share therein of a shareholder shall be excluded in computing the total income of that shareholder.

(3) (Deleted by 8 of 1978, s.9)

(4) A company may at any time before making a Distribution of a dividend to its shareholders inquire of the Commissioner whether the distribution would be regarded by him as sufficient for the purpose of subsection (1), and the Commissioner, after calling on the company for any information that he may reasonably require, shall advise the company whether or not he proposes to take action under this section.

(5) Where under this section part of the income of a company is treated as having been distributed and divided to its shareholders and in consequence thereof, another company is treated as having received a dividend, then for the purpose of applying the provisions of subsection (1) to the other company, the dividend which it is treated as having received shall be deemed to be part of the income of the other company available for distribution by the other company to its shareholders as dividends.

### 25.(1) Income settled on children.

Where, under a settlement, income is paid during the life of the settlor to or for the benefit of a child of the settlor in a year of income, that income shall be deemed to be income of the settlor for that year of income and not income of any other person:

Provided that this subsection shall not apply to any year of income in which-

(i) the income so paid does not exceed one hundred shillings; or

(ii) the child attains the age of eighteen years.

(2) For the purposes of, but subject to, this section –

(a) income which is dealt with under a settlement so that it, or assets representing it, will or may become payable or applicable to or for the benefit of a child of the settlor in the future (whether on the
fulfilment of a condition, or the happening of a contingency, or as the result of the exercise of a power of discretion, or otherwise) shall be deemed to be paid to or for the benefit of that child;

(b) income so dealt with which is not required by the settlement to be allocated, at the time when it is so dealt with, to any particular child or children of the settlor shall be deemed to be paid in equal shares to or for the benefit of each of the children to or for the benefit of whom or any of whom the income or assets representing it will or may become payable or applicable;

(c) in relation to a settlor, only income originating from that settlor shall be taken into account as income paid under the settlement to or for the benefit of a child of the settlor.

(3) Where under subsection (1) tax is charged on and is paid by the person by whom the settlement was made, that person shall be entitled to recover from a trustee or other person to whom the income is payable under the settlement the amount of the tax so paid, and for that purpose to require the Commissioner to furnish to him a certificate specifying the amount of the tax so paid, and a certificate so furnished shall be conclusive evidence of the facts appearing therein.

(4) Where the amount of the tax chargeable upon a person for a year of income is, by reason of subsection (1), affected by tax deducted from the income under Head B of Part VI, the amount by which the tax is affected shall, if the amount of tax is thereby reduced, be paid by him to the trustee or other person to whom the income is payable under the settlement or, where there are two or more of them, shall be apportioned among those persons as the case may require; and if any question arises as to the amount of a payment or as to an apportionment to be made under this subsection, that question shall be decided by the Commissioner whose decision thereon shall be final.

(5) Income which is deemed under this section to be the income of a person shall be deemed to be the highest part of his income.

(6) This section shall apply to every settlement, wheresoever it was made or entered into and whether it was made or entered into before or after the commencement of this Act, except a settlement made or entered into before 1st January, 1939, which immediately before that date was irrevocable, and shall (where there is more than one settlor or more than one person who made the settlement) have effect in relation to each settlor as if he were the only settlor.

(7) In this section –

(a) "child" means a child under the age of eighteen years and includes a step-child, an adopted child and an illegitimate child;

(b) "settlement" includes any disposition, trust, covenant, agreement,
arrangement, transfer of assets, but does not include a disposition, trust, covenant, agreement, arrangement, or transfer of assets through a registered family trust or, resulting from an order of a court unless that order is made in contemplation of this provision;

(c) "settlor", in relation to a settlement, includes a person by whom the settlement was made or entered into directly or indirectly, and a person who has provided or undertaken to provide funds directly or indirectly for the purpose of the settlement, or has made with another person a reciprocal arrangement for that person to make or enter into the settlement;

(d) references to income originating from a settlor are references to –

(i) income from property originating from that settlor; and

(ii) income provided directly or indirectly by that settlor;

(e) references to property originating from a settlor are references to -

(i) property which that settlor has provided directly or indirectly for the purposes of the settlement; and

(ii) property representing that property; and

(iii) so much of any property which represents both property so provided and other property as, on such apportionment as the Commissioner may determine to be just and reasonable, represents the property so provided;

(f) references to:

(i) property or income which a settlor has provided directly or indirectly include references to property or income which has been provided directly or indirectly by another person in pursuance of reciprocal arrangements with that settlor but do not include references to property or income which that settlor has provided directly or indirectly in pursuance of reciprocal arrangements with another person;

(ii) property which represents other property include references to property, which represents accumulated income from that other property.

(8) Where, under this section, income is deemed to be income of the settlor, it shall be deemed to be income received by him as a person beneficially entitled thereto under the settlement.

| 8 of 2021 s.11 | arrangement, transfer of assets, but does not include a disposition, trust, covenant, agreement, arrangement, or transfer of assets through a registered family trust or, resulting from an order of a court unless that order is made in contemplation of this provision;

(c) "settlor", in relation to a settlement, includes a person by whom the settlement was made or entered into directly or indirectly, and a person who has provided or undertaken to provide funds directly or indirectly for the purpose of the settlement, or has made with another person a reciprocal arrangement for that person to make or enter into the settlement;

(d) references to income originating from a settlor are references to –

(i) income from property originating from that settlor; and

(ii) income provided directly or indirectly by that settlor;

(e) references to property originating from a settlor are references to -

(i) property which that settlor has provided directly or indirectly for the purposes of the settlement; and

(ii) property representing that property; and

(iii) so much of any property which represents both property so provided and other property as, on such apportionment as the Commissioner may determine to be just and reasonable, represents the property so provided;

(f) references to:

(i) property or income which a settlor has provided directly or indirectly include references to property or income which has been provided directly or indirectly by another person in pursuance of reciprocal arrangements with that settlor but do not include references to property or income which that settlor has provided directly or indirectly in pursuance of reciprocal arrangements with another person;

(ii) property which represents other property include references to property, which represents accumulated income from that other property.

(8) Where, under this section, income is deemed to be income of the settlor, it shall be deemed to be income received by him as a person beneficially entitled thereto under the settlement. |
that income is deemed under section 25 to be income of the settlor for an earlier year of income, be deemed to be income of the settlor for the year of income in which it so accrued to or was received by that person and not income of another person whether or not the settlement is revocable and whether it was made or entered into before or after the commencement of this Act.

(2) All income, which in a year of income accrued to or was received by a person under a revocable settlement shall be deemed to be income of the settlor for that year of income and not income of another person.

(3) Where in a year of income the settlor, or a relative of the settlor, or any other person, under the direct or indirect control of the settlor or any of his relatives or the settlor and any of his relatives, by agreement with the trustees of a settlement in any way, whether by borrowing or otherwise, makes use of income arising, or of accumulated income which has arisen, under the settlement to which he is not entitled thereunder, then the amount of that income or accumulated income so made use of shall be deemed to be income of the settlor for that year of income and not income of any other person.

(4) For the purposes of this section, a settlement shall be deemed to be revocable if under its terms the settlor -

(a) has a right to reassume control, directly or indirectly, over the whole or any part of the income arising under the settlement or of the assets comprised therein; or

(b) is able to have access, by borrowing or otherwise, to the whole or any part of the income arising under the settlement or of the assets comprised therein; or

(c) has power, whether immediately or in the future and whether with or without the consent of any other person, to revoke or otherwise determine the settlement and in the event of the exercise of that power, the settlor or the wife or husband of the settlor will or may become beneficially entitled to the whole or any part of the property comprised in the settlement or to the income from the whole or any part of that property:

Provided that a settlement shall not be deemed to be revocable by reason only that under its terms the settlor has a right to reassume control, directly or indirectly, over income or assets relating to the interest of a beneficiary under the settlement in the event that the beneficiary should predecease him.

(5) In this section - "relative" of a person means –

(a) his spouse;

(b) an ancestor, lineal descendant, brother, sister, uncle, aunt,
nephew, niece, step-father, step-mother, step-child, adopted child, and, in the case of an adopted child, his adopter or adopters;

(c) the spouse of a relative referred to in paragraph (b);

"settlement" includes a disposition, trust, covenant, other than a registered family trust, agreement, arrangement, or transfer of assets, other than -

(a) a settlement made for valuable and sufficient consideration;

(b) an agreement made by an employer to confer a pension upon an employee in respect of a period after the cessation of employment with that employer, or to provide an annual payment for the benefit of the widow or any relative or dependant of that employee after his death, or to provide a lump sum to an employee on the cessation of that employment.

(6) Where, under this section, tax is charged on and is paid by the settlor, the settlor shall be entitled to recover from the trustees or other person to whom the income is payable under the settlement the amount of the tax so paid, and for that purpose to require the Commissioner to furnish to him a certificate specifying the amount of the tax so paid, and a certificate so furnished shall be conclusive evidence of the facts appearing therein.

(7) Where, under this section, income is deemed to be income of the settlor, it shall be deemed to be income received by him as a person beneficially entitled thereto under the settlement.

27.(1) Where a person usually makes up the accounts of his business for a period of twelve months ending on a day other than 31st December, then, for the purpose of ascertaining his total income for a year of income, the income of an accounting period ending on that other date shall, subject to such adjustment as the Commissioner may consider appropriate, be taken to be income of the year of income in which the accounting period ends -

(a) in the case of a person other than an individual, as regards all income charged under section 3; and

(b) in the case of an individual, as regards all income charged under that section other than gains or profits from employment or services rendered.

(1A) A person carrying on an incorporated business may subject to the prior written approval of the Commissioner alter the date to which the accounts of the business are made up.

(1B) A person seeking the approval of the Commissioner under subsection (1A) shall apply in writing to the Commissioner at least six months before the date to which the accounts are intended to be made up.
(1C) The Commissioner shall within six months from the date of receipt of the application communicate his decision in writing to the applicant.

(2) Where a person makes up the accounts of his business for a period greater or less than twelve months, the Commissioner may, subject to such adjustment as he may consider appropriate, including the assessment for a year of income which, but for any alteration in the date to which the accounts of the business are made up, would have been assessed for that year of income, treat the income of that accounting period as income of the year of income in which the accounting period ends, and tax shall be charged accordingly.

(3) The accounting period of a person carrying on any unincorporated Business shall be the period of twelve months ending on 31\textsuperscript{st} December each year, and

(4) Any person to whom subsection (3) applies shall not later than 31\textsuperscript{st} December, 1998 change the accounting date to comply with the provisions of that subsection.

### Income and Expenditure after Cessation of Business.

28. (1) Where a sum is received by a person after the cessation of his business which, if it had been received prior to the cessation, would have been included in the gains or profits from that business, then, to the extent to which that sum has not already been included in those gains or profits, that sum shall be income of that person for the year of income in which it is received.

(2) Where a sum is paid by a person after the cessation of his business which, if it had been paid prior to the cessation, would have been deductible in computing his gains or profits from that business, then, to the extent to which that sum has not already been deducted in computing those gains or profits, it shall be deducted in ascertaining his total income for the year of income in which it is paid and to the extent that the sum or remainder thereof, as the case may be, cannot be so deducted, it shall be deducted in ascertaining his total income for the year of income in which the business ceased.

### PART V - PERSONAL RELIEFS

29.(1) Subject to this section and to section 77, a resident individual who for a year of income is in receipt of taxable income and has furnished a return of income in respect of that year of income, shall, in respect of that year of income, be entitled to a personal relief which shall be set off against tax payable by him for that year of income at the rate and subject to the limitation specified in Head A of the Third Schedule:

Provided that -

(i) notwithstanding that an individual has furnished no such return of income, he shall, for the purposes of section 37, be given the personal relief which he will be entitled to for that year of income; and

(ii) nothing in this section shall prevent the Commissioner from granting to an individual in an assessment made under subsection
(3) Where an individual, having been a resident individual, dies or departs from Kenya with the intention of permanently leaving Kenya, he shall, in respect of that year of income, be deemed to have been resident for the number of months in that year of income up to and including the month in which he dies or so departs, as the case may be; but where that individual is entitled to leave with pay following cessation of his employment in Kenya and part of that leave relates to the period after his departure from Kenya, he shall be deemed for the purposes of this section to have departed from Kenya on the date when the leave expires.

(4) When an individual arrives in Kenya with the intention of becoming resident therein after the beginning of a year of income, he shall, in respect of that year of income, be deemed to have been resident for the number of months in that year of income from and including the month in which he arrived.

A resident individual in receipt of taxable income shall be entitled to a tax relief in this Act referred to as the personal relief.

A resident individual who relief satisfies the Commissioner that in a year of income that the person-

(a) is eligible to make an application under an affordable housing scheme;

(b) has applied and is awaiting the allocation of a house under an affordable housing scheme; and

(c) is saving for a purchase under an affordable housing scheme approved by the Cabinet Secretary in charge of housing,

shall for that year of income be entitled to a personal relief in this Act referred to as the affordable housing relief.

A person who has been allocated a house under the affordable housing
scheme and has been subject to an affordable housing relief under subsection (1) shall not be re-eligible for a subsequent relief.

31.(1) A resident individual who proves that in a year of income -

a. he has paid a premium for an insurance made by him on his life, or on the life of his wife or of his child and that the insurance secures a capital sum whether or not in conjunction with another benefit, and that the insurance is made with an insurance company lawfully carrying on in Kenya the business of life insurance, and that sums payable under the insurance are payable in Kenya in the lawful currency of Kenya; or

b. his employer has paid a premium for that insurance on the life, and for the benefit, of that individual which is charged with tax under this Act on that individual; or

c. he, as well as his employer, has paid a premium for the insurance referred to in paragraph (b);

shall, for that year of income, be entitled to a personal relief in this Act referred to as the insurance relief:

Provided that -

(i) no insurance relief shall be granted in respect of that part of a premium for an insurance as secures a benefit which may, at the option of the assured, be withdrawn at any time prior to the determination of the insurance, and in that case the proportion of premiums otherwise eligible for relief, if any, shall be the amount that the Commissioner may determine to be just and reasonable;

(ii) no relief shall be granted in respect of a premium for an insurance unless the person claiming the relief furnishes evidence as to the nature and conditions of the insurance and such other particulars as may be required by the Commissioner;

(iii) an education policy with a maturity period of at least ten years shall qualify for relief; and

(iv) the provisions of this section shall apply only to life or education policies whose term commences on or after the 1st January, 2003.

(v) a health policy whose term commences on or after the 1st January, 2007 or a contribution made to the National Hospital Insurance Fund shall qualify for relief;

(vi) where a policy is surrendered before its maturity, all the relief granted to the policyholder shall be recovered from the surrender value of the policy and remitted to the Commissioner by the insurer.

(2) In this section “child”, means any child of the resident individual and includes a step-child, and adopted child and an illegitimate child who was under the age of
eighteen years on the date the premium was paid.

32. (Deleted by 8 of 1991, s.62)

33. (Repealed by 8 of 1996, s.38)

**PART VI - RATES, DEDUCTIONS AND SET-OFF OF TAX AND DOUBLE TAXATION RELIEF**

**A - Rates of tax**

<table>
<thead>
<tr>
<th>Rates of tax</th>
<th>34.(1) Subject to this section -</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 of 1975, s.5, 13 of 1975, s.2, 8 of 1978, s.9, 12 of 1980, s.3, 6 of 1981, s.5, 10 of 1987, s.33, 10 of 1988, s.32, 5 of 1998 s.36.</td>
<td>(a) tax upon the total income of an individual, other than that part of the total income comprising wife's employment income, fringe benefits and the qualifying interest, shall be charged for a year of income at the individual rates for that year of income;</td>
</tr>
<tr>
<td>5 of 1998 s.36</td>
<td>(b) tax upon that part of the total income which consists of wife's employment income, and wife's professional income and wife's self-employment income other than income arising from fringe benefits shall be charged for a year of income at the wife's employment income rate, wife's professional income rate and wife's self-employment income rate, as the case may be, for that year of income.</td>
</tr>
<tr>
<td>9 of 2007 s.22</td>
<td>(c) tax upon that part of the total income of an individual that comprises the qualifying interest shall be charged for a year of income at the qualifying interest rate of tax for that year of income;</td>
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<tr>
<td>5 of 1998 s.36</td>
<td>(d) tax upon that part of the total income of a person that comprises the qualifying dividends shall be charged for a year of income at the qualifying dividend rate of tax for that year of income;</td>
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<td>(e) tax upon the total income of a person other than an individual shall be charged at the corporation rate for that year of income;</td>
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<tr>
<td>5 of 1998 s.36</td>
<td>(f) tax upon that part of total income that comprises dividends other than qualifying dividends shall be charged in a year of income at the resident withholding rate in respect of a dividend specified in the Third Schedule.</td>
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<td>(g) tax upon the total fringe benefits provided by an employer shall be charged at the resident corporation rate for that year of income.</td>
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<td>(h) tax upon gross receipt of person chargeable to tax under section 12C shall be charged at the resident rate for that year of income;</td>
</tr>
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<td>(i) <em>(deleted by 14 of 2015, s. 11)</em></td>
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<td>(j) tax upon the capital gains of a person charged under section 3(2)(f) shall be charged at the rate of five percent and shall not be subject to further taxation.</td>
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<td>Section</td>
<td>Amendments</td>
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<tr>
<td>57 of 2012 s16</td>
<td>(k) tax upon gross rental receipts of a person chargeable to tax under section 6A shall be charged at the resident rate specified under the Third Schedule for that year of income.</td>
</tr>
<tr>
<td>16 of 2014 s. 10 14 of 2015 s.11</td>
<td>(l) the transfer of interest in a person shall be charged as per provisions of the Ninth Schedule.</td>
</tr>
<tr>
<td>14 of 2015 s.11 9 of 2018, Sch. 8 of 2020 s.7</td>
<td>(m) winnings</td>
</tr>
<tr>
<td>9 of 2007 s.22</td>
<td>(n) tax upon the gross turnover of a person whose income is chargeable to tax under section 12D shall be charged at the rate specified in the Third Schedule.</td>
</tr>
<tr>
<td>4 of 2012 s.15 57 of 2012 s.16 38 of 2013 s.14</td>
<td>(o) tax upon the gross transaction value of services chargeable to tax under section 12E shall be charged at the rate specified in the Third Schedule.</td>
</tr>
<tr>
<td>57 of 2012 s.16</td>
<td>(1A) Deleted by 16 of 2014 s. 10</td>
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<tr>
<td>9 of 2018 Sched.</td>
<td>(1B) Deleted by 16 of 2014 s. 10</td>
</tr>
<tr>
<td>7 of 2012 s16</td>
<td>(2) Tax upon the income of a non-resident person not having a permanent establishment in Kenya which consists of -</td>
</tr>
<tr>
<td>14 of 2015 s.11</td>
<td>(a) a management or professional fee;</td>
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<tr>
<td>38 of 2016 s. 8 10 of 2018 s. 9 10 of 2018 s. 9</td>
<td>(b) a royalty or natural resource income;</td>
</tr>
<tr>
<td>7 of 2012 s16</td>
<td>(c) a rent, premium or similar consideration for the use or occupation of property;</td>
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<tr>
<td>14 of 2015 s.11</td>
<td>(d) a dividend;</td>
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<tr>
<td>38 of 2016 s. 8</td>
<td>(e) interest;</td>
</tr>
<tr>
<td>10 of 2018 s. 9</td>
<td>(f) a pension or retirement annuity;</td>
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<tr>
<td>10 of 2018 s. 9</td>
<td>(g) a payment in respect of an appearance at, or performance in, any place (whether public or private) for the purpose of entertaining, instructing, taking part in a sporting event or otherwise diverting an audience; or</td>
</tr>
<tr>
<td>9 of 2018 Sched.</td>
<td>(h) a payment in respect of an activity by way of supporting, assisting or arranging an appearance or performance referred to in paragraph (g),</td>
</tr>
<tr>
<td>7 of 2012 s16</td>
<td>(i) winnings,</td>
</tr>
<tr>
<td>14 of 2015 s.11</td>
<td>(j) a payment in respect of gains or profits from the business of transmitting messages which is chargeable to tax under section 9(2).</td>
</tr>
<tr>
<td>38 of 2016 s. 8</td>
<td>(k) Deleted by deleted by Act No. 14 of 2015, s. 11(b)(i);</td>
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<td>10 of 2018 s. 9</td>
<td>(l) …</td>
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<td>10 of 2018 s. 9</td>
<td>(m) …</td>
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<tr>
<td>38 of 2016 s. 8</td>
<td>(n) (Deleted by 23 of 2019 s. 11)</td>
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<tr>
<td>10 of 2018 s. 9</td>
<td>(o) insurance or reinsurance premium, except insurance or reinsurance premium paid in respect of aviation insurance; or</td>
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</table>
(p) sales promotion, marketing, advertising services, and transportation of goods (excluding air and shipping transport services; shall be charged at the appropriate non-resident rate in force at the date of payment of that income and shall not be charged to tax under subsection (1).

(3) (Deleted by 8 of 1978, s.9)

(4) In this section "person" does not include a partnership.

34A. (Repealed by 8 of 1978, s.9)

B - Deduction of Tax

35. (1) A person shall, upon payment of an amount to a non-resident person not having a permanent establishment in Kenya in respect of -

(a) a management or professional fee or training fee except-

(i) a commission paid to a non-resident agent in respect of flowers, fruits or vegetables exported from Kenya and auctioned in any market outside Kenya and audit fees for analysis of maximum residue limits paid to a non-resident laboratory or auditor; or

(ii) a commission paid by a resident air transport operator to a non-resident agent in order to secure tickets for international travel.

(b) a royalty or natural resource income;

(c) a rent, premium or similar consideration for the use or occupation of property, except aircraft, aircraft engines, locomotives or rolling stock;

(d) a dividend;

(e) interest and deemed interest, including interest and deemed interest arising from a discount upon final redemption of a bond, loan, claim, obligation or other evidence of indebtedness measured as the original issue discount;

Provided that -

(i) where the bond, loan, claim, obligation or other evidence of indebtedness is acquired by a person exempt under the First Schedule or a financial institution specified in the Fourth Schedule from a non-resident person, such an exempt person or financial institution shall deduct tax from the difference between the acquisition price and the original issue price; and

(ii) where a non-resident person disposes of a bond, loan, claim, obligation
or other evidence of indebtedness acquired from a person exempt under the First Schedule or a financial institution specified in the Fourth Schedule, tax shall be deducted upon final redemption from the difference between the final redemption price and the acquisition price, if the exempt person or financial institution certifies the acquisition price to the satisfaction of the Commissioner; and

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<td>4 of 2012 s.16</td>
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<td>38 of 2013 s.15</td>
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<td>14 of 2015 s.11</td>
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<tr>
<td>57 of 2012 s.17</td>
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</tbody>
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(f) a pension or retirement annuity;

(g) an appearance at, or performance in, a place (whether public or private) for the purpose of entertaining, instructing, taking part in a sporting event or otherwise diverting an audience; or

(h) an activity by way of supporting, assisting or arranging an appearance or performance referred to in paragraph (g),

(i) winnings,

(j) Deleted by 38 of 2016 s.9

(k) Deleted by 16 of 2014 s. 11

(l) gains or profits from the business of transmitting messages which is chargeable to tax under section 9(2)

(m) Deleted by 23 of 2019 s. 12

(n) insurance or reinsurance premium, except insurance or reinsurance premium paid in respect of aircraft;

(o) sales promotion, marketing, advertising services, and transportation of goods (excluding air and shipping transport services.

(1A) Subsection (1) shall not apply to payments made by filming agents and filming producers approved by the Kenya Film Commission to actors and crew members approved for purposes of paragraphs (g) and (h).

(2) (Deleted by 8 of 1978, s.9)

(3) Subject to subsection (3A), a person shall, upon payment of an amount to a person resident or having a permanent establishment in Kenya in respect of:

(a) a dividend; or

(b) interest, other than interest paid to a financial institution specified in the Fourth Schedule which is resident or which has a permanent establishment in Kenya including interest arising from a discount upon final satisfaction or redemption of a debt, bond, loan, claim, obligation
or other evidence of indebtedness measured as the original issue discount, other than interest or discounts paid to a person exempt under the First Schedule or a financial institution specified in the Fourth Schedule:

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<tr>
<th>Act</th>
<th>Section</th>
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<tr>
<td>15 of 2003</td>
<td>s.35</td>
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<td>15 of 2003</td>
<td>s.36</td>
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<tr>
<td>6 of 2001</td>
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</table>

Provided that -

(i) where the bond, loan, claim, obligation or other evidence of indebtedness is acquired by a person exempt under the First Schedule or a financial institution specified in the Fourth Schedule from the resident person, such an exempt person or financial institution shall deduct tax from the difference between the acquisition price and the original issue price; and

(ii) the resident person disposes of a bond, loan, claim, obligation or other evidence of indebtedness acquired from a person exempt under the First Schedule or a financial institution specified in the Fourth Schedule, tax shall be deducted upon final redemption from the difference between the final redemption price and the acquisition price, if the exempt person or financial institution certifies the acquisition price to the satisfaction of the Commissioner.

(c) an annuity payment excluding that portion of the payment which represents the capital element; or

(d) a commission or fee paid or credited by an insurance company to any person for the provision, whether directly or indirectly, of an insurance cover to any person or group of persons; or

(e) a pension or a lump sum commuted or withdrawn from a registered pension fund or a lump sum out of a registered provident fund in excess of the tax exempt amounts specified in section 8(4) and (5), or any amount paid out of a registered individual retirement fund, or a benefit paid out of the National Social Security Fund in excess of the tax exempt amount specified in section 8(5); or

(ee) surplus funds withdrawn from or paid out of registered pension or provident funds;

(f) management or professional fee or training fees the aggregate value of which is twenty-four thousand shillings or more in a month.”

Provided that for the purposes of this paragraph, contractual fee within the meaning of “management or professional fee” shall mean payment for work done in respect of building, civil or engineering works.

(g) a royalty or natural resource income;
(h) winnings;

(i) Deleted by 38 of 2016 s. 9;

(j) rent, premium or similar consideration for the use or occupation of immovable property;

which is chargeable to tax, deduct therefrom tax at the appropriate resident withholding tax.

(3A) Notwithstanding the provisions of subsection (3), only a person appointed for that purpose by the commissioner, in writing, shall deduct tax under paragraph (j) of that subsection.

(3B) (Deleted by 16 of 2014 s.11)

(3C) (Deleted by 9 of 2007 s.23)

(4) No deduction shall be made under subsection (1) or (3) from a Payment which is income exempt from tax under this Act, or to which an order made under subsection (7) or (8) applies.

(5) where a person deducts tax under this section he shall, on or before the twentieth day of the month following the month in which the deduction was made,

(a) remit the amount so deducted to the Commissioner together with a return in writing of the amount of the payment, the amount of tax deducted, and such other information as the Commissioner may specify; and

(b) furnish the person to whom the payment is made with a certificate stating the amount of the payment and the amount of the tax deducted.

(5A) The Commissioner shall pay the tax deducted from winnings under subsection (1) (i) and (3) (h) into the Sports, Arts and Social Development Fund established under section 24 of the Public Finance Management Act, 2012.

(6) (Deleted by 38 of 2016 s. 9);

(6A) Where a person who is required under subsection (3A) to deduct tax-

(a) fails to make the deduction or fails to deduct the whole amount of the tax which he should have deducted; or

(b) fails to remit the amount of a deduction to the Commissioner on or before the twentieth day of the month following the month in which the deduction was made or ought to have been made, no Collector of Stamp Duties appointed under section 4 of the Stamp Duty Act shall stamp the instrument of which the property is the subject matter under the Stamp Duty Act.
Duty Act, and no Registrar of Titles or Land Registrar appointed under any written law shall register the property under any written law, until the tax has been duly accounted for; but the transferee of chargeable property may pay the tax and recover the amount of the tax from any consideration for the transfer in his possession, by action in a court or by any other lawful means at his disposal.

(6B) Deleted by Act No. 38 of 2016 s.45(a)

### 36. Deduction of tax from annuities etc, paid under a will etc.

(1) The trustees of a will or settlement shall, upon payment of an annuity under the will or settlement, deduct therefrom tax at the rate paid or payable on the income out of which the annuity is payable:

Provided that –

(i) no deduction of tax shall be made from that part of an annuity which is paid out of income in respect of which no tax is paid or payable;

(ii) an annuity directed to be paid free of tax shall be paid without deduction of tax, and sums paid by the trustees to the annuitant to meet his liability to tax on the annuity shall also be paid without deduction of tax and the trustees shall be entitled to repayment of the tax paid by deduction or otherwise on such an amount of the income of the trust as is equal to the total of the annuity and the sums so paid;

(iii) the Commissioner may authorize the trustees on payment of an annuity other than an annuity directed to be paid free of tax to deduct, from the amount of the annuity, tax at a rate lower than the rate paid or payable on the income, or no tax, and thereupon the trustees shall deduct from the
amount of that annuity so paid tax at the lower rate, or no tax, as the case may be.

(2) For the purposes of this section, where an annuity is not payable out of income of specified assets, it shall be deemed to be payable out of income liable to tax under this Act to the extent to which that income is available for the payment thereof.

(3) Where section 11(3)(a) applies the trustee shall furnish each person to whom or on whose behalf amounts are paid in a year of income with a certificate setting out the gross amount of the payments, the amount of tax appropriate thereto, and the net amount so paid in that year of income.

37.(1) An employer paying emoluments to an employee shall deduct therefrom, and account for tax thereon, to such extent and in such manner as may be prescribed.

(2) If an employer paying emoluments to an employee fails -

(a) to deduct tax thereon;

(b) to account for tax deducted thereon; or

(c) to supply the Commissioner with a certificate provided by rules prescribing the certificate, the Commissioner may impose a penalty equal to twenty-five percent of the amount of tax involved or ten thousand shillings whichever is greater and the provisions of this Act relating to the collection and recovery of tax shall also apply to the collection and recovery of the penalty as if it were tax due from the employer:

Provided that, instead of the Commissioner imposing a penalty under this subsection, a prosecution may be instituted for an offence under section 109(1)(j).

(3) The Commissioner may remit the whole or part of any penalty imposed under this section up to a maximum of five hundred thousand shillings per employer per annum:

Provided that -

(a) the Commissioner may remit any amount of penalty in excess of five hundred thousand shillings per employer per annum with the prior written approval of the Minister; and

(b) the Commissioner shall make a quarterly report to the Minister of all penalties remitted during the quarter.

(4) Tax deducted under this section from the emoluments of an employee shall be deemed to have been paid by that employee and shall be set off for the purposes of collection against tax charged on that employee in respect of those emoluments in an
assessment for the year of income in which those emoluments are received.

(5) Where a person who is required under this section to deduct tax fails to remit the amount of any deduction to such person as the Commissioner may direct within the time limit specified in rules made under section 130, the provisions of this Act relating to the collection and recovery of tax, and the payment of interest thereon, shall apply to the collection and recovery of that amount as if it were tax due and payable by that person, the due date for the payment of which is the date specified in rules made under section 130 by which that amount should have been remitted to the payee.

(5A) An employer aggrieved by the imposition of a penalty by the Commissioner or any other decision taken by the Commissioner under this section may, by notice in writing to the Commissioner, within thirty days, object to such imposition or decision.

(5B) The provisions of this Act in respect of objections shall, mutatis mutandis, apply to objections under this section.

(6) Deleted by 38 of 2016 s.10

(7) Deleted by 38 of 2016 s.10

Penalty for failure to make deductions under Section 35, 36 or 37

37A. Where a corporate body which is required to make a deduction under section 35, 36 or 37 fails to remit the deducted amount as required or directed by the Commissioner, every director and every officer of the corporate body concerned with the management thereof, shall be guilty of an offence, unless he proves to the satisfaction of the court that he did not know, and could not reasonably be expected to know that the deducted amount had not been remitted and that he took all reasonable steps to ensure that the offence was not committed, and shall be liable to a fine of not less than ten thousand shillings but not more than two hundred thousand shillings or to imprisonment for a term not exceeding two years or to both.

Application to Government

38. The provisions of this Part relating to deduction of tax shall bind the Government.
C - Set-off of Tax

Set-off of tax 39(1) An amount of tax which -

(a) has been deducted under section 17A (in respect of a person other than an individual), 35, 36 or 37; or

(b) has been borne by a trustee, executor or administrator in his capacity as such on an amount paid as income to a beneficiary;

(c) has been paid by person under section 12A.

shall be deemed to have been paid by the person chargeable with that tax and shall be set off for the purposes of collection against the tax charged on that person for the year of income in respect of which it was deducted, and where an assessment is made by the Commissioner on a person for a year of income under section 73 the amount of tax which has already been paid under a provisional assessment on that person for that year of income shall be set off for the purposes of collection against the tax charged in the assessment made under section 73.

(2) If any citizen of Kenya chargeable to tax in Kenya for any year of income on employment income or income in respect of any activity under section (10)(e) of this Act accrued in or derived from another country proves to the satisfaction of the Commissioner that he has paid tax in such other country for such year of income in respect of the same income, he shall be entitled to set-off by way of credit of the same tax against the tax charged in Kenya on such income.

(3) The tax chargeable on the income of any person in respect of which set-off is to be allowed under this section shall be taken to be the amount by which the tax chargeable (before set-off under this section) in respect of his employment income or income in respect of any activity under section (10)(e) is increased by the inclusion of such income in his employment income or income in respect of any activity under section (10)(e).

(4) Credit under this section shall not exceed the amount of tax payable in Kenya on such employment income or income in respect of any activity under section (10)(e).

39A Repealed by Finance Act 2009

39B. (1) Any employer who engages at least ten university or technical and vocational education and training graduates as apprentices for a period of six to twelve months during any year of income shall be eligible for tax rebate in the year subsequent to the year of such engagement.

(2) The Cabinet Secretary may by notice in the Gazette make regulations for
the better carrying out of the provisions of this section.

**D - Double Taxation Relief**

<table>
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<tr>
<th>Special arrangements for relief from double taxation</th>
<th>40 (Repealed by 8 of 1978, s.9)</th>
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</thead>
<tbody>
<tr>
<td>Special arrangements for relief from double taxation</td>
<td><strong>41.</strong> (1) Every special arrangement for relief from double taxation made with the Government of any country outside of the Republic of Kenya with a view of affording relief from double taxation in relation to income tax and any taxes of similar character imposed by the laws of that country shall, subject to subsection (2) but notwithstanding any other provision to the contrary in this Act or in any other written law, have effect in relation to income tax, and every such agreement shall be subject to the provisions of the Treaty Making and Ratification Act, 2012.</td>
</tr>
<tr>
<td>16 of 2014 s.12</td>
<td>(2) Subject to subsection (3), where an arrangement made under this section provides that income derived from Kenya is exempt or excluded from tax, or the application of the arrangement results in a reduction in the rate of Kenyan tax, the benefit of that exemption, exclusion, or reduction shall not be available to a person who, for the purposes of the arrangement, is a resident of the other contracting state if fifty per cent or more of the underlying ownership of that person is held by a person or persons who are not residents of that other contracting state for the purposes of the agreement.</td>
</tr>
<tr>
<td>7 of 1976, s.2</td>
<td>(3) Subsection (2) shall not apply if the resident of the other contracting state is a company listed in a stock exchange in that other contracting state.</td>
</tr>
<tr>
<td>16 of 2014 s.12</td>
<td>(4) In this section, the terms &quot;person&quot; and &quot;underlying ownership&quot; have the respective meanings assigned to them in the Ninth Schedule.</td>
</tr>
<tr>
<td>16 of 2014 s.12</td>
<td><strong>41A.</strong> The Minister may, by notice in the Gazette, from time to time declare that arrangements made with the government of any country with the view of exchanging information relating to income tax or other taxes of a similar character imposed by the laws of that country, shall, notwithstanding anything to the contrary in this Act or any other written law, have effect in relation to income tax, and that notice shall, subject to the provisions of this section, have effect accordingly.</td>
</tr>
<tr>
<td>16 of 2014 s.12</td>
<td><strong>42.</strong> (1) This section shall have effect where, under a special arrangement foreign tax payable in respect of income derived by a person resident in Kenya is to be allowed as a credit against tax chargeable in respect of that income.</td>
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<tr>
<td>8 of 2021 s.15</td>
<td>(2) Deleted by 2 of 1976, s.2</td>
</tr>
<tr>
<td><strong>42.</strong> (1) This section shall have effect where, under a special arrangement foreign tax payable in respect of income derived by a person resident in Kenya is to be allowed as a credit against tax chargeable in respect of that income.</td>
<td>(3) The tax chargeable upon the income of a person in respect of which a credit is to be allowed under a special arrangement shall be the amount by which the tax chargeable (before allowance of the credit) in respect of his total income is increased by the inclusion of that income in his total income; but where foreign tax is payable at different rates on different parts of the total income of that person, the tax chargeable on that income shall be apportioned to each part in such amounts as the Commissioner</td>
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</table>
may determine to be just and reasonable.

(4) A credit shall not exceed the lesser of the tax computed in accordance with subsection (3) or the foreign tax chargeable upon the income in respect of which the credit is to be allowed or upon each part of that income.

(5) Where -

(a) a special arrangement provides, in relation to dividends of some classes but not in relation to dividends of other classes, that foreign tax not charged directly or by deduction in respect of dividends is to be taken into account in considering whether any, and if so, what, credit is to be given against tax in respect of those dividends; and

(b) a dividend is paid which is not of a class to which those arrangements so apply.

then, if the dividend is paid to a company which controls, directly or indirectly, not less than one half of the voting power in the company paying the dividend, a credit shall be allowed as if that dividend were a dividend of a class in relation to which those arrangements so provide.

(6) A credit shall not be allowed under a special arrangement against tax chargeable upon the income of a person for a year of income if he elects by notice in writing to the Commissioner that credit shall not be allowed in the case of his income for that year of income.

(7) Where the amount of a credit or exemption given under a special arrangement is rendered excessive or insufficient by reason of an adjustment of the amount of income tax, or tax of a similar nature payable either in Kenya or elsewhere, nothing in this Act limiting the time for the making of assessments or claims for relief shall apply to an assessment or claim to which the adjustment gives rise, being an assessment or claim made within six years from the time when all those assessments, adjustments and other determinations have been made, whether in Kenya or elsewhere, that are material in determining whether any and, if so, what credit is to be given.

(8) In this section, "credit" means a credit mentioned in subsection (1).

43. Subject to section 42(7), a claim for an allowance by way of credit under this Part shall be made to the Commissioner within six years from the end of the year of income to which it relates.

Part VII - PERSONS ASSESSABLE

44. Where under this Act the income of a person is chargeable to tax, that income shall, subject to this Act, be assessed on, and the tax thereon charged on, that person.
45. (1) The income of a married woman living with her husband shall be deemed to be the income of the husband for the purpose of ascertaining his total income, and shall be assessed on, and the tax thereon charged on, the husband; but that part of the total amount of tax charged on the husband as bears the same proportion to the total amount as the amount of the income of the wife bears to the amount of the total income of the husband may, if due and not paid, be collected from the wife or, if she is dead, from her executors or administrators, notwithstanding that no assessment has been made upon her; and the provisions of this Act relating to the collection and recovery of tax shall apply to that part of the tax as if it were tax the due date for the payment of which is a date thirty days after the date of a notice served on the wife, or her executors or administrators, as the case may be, requiring payment.

(2) Where a married woman is not living with her husband, each Spouse shall, for the purposes of the Act, be treated as if he or she were unmarried.

(3) For the purposes of this Act, a married woman shall be treated as living with her husband unless -

(a) they are separated under an order of a court of competent jurisdiction or under a written agreement of separation; or

(b) they are separated in such circumstances that the separation is likely to be permanent; or

(c) she is a resident person and her husband is non-resident person.

46. The income of an incapacitated person shall be assessed on, and the tax thereon charged on, that person in the name of his trustee, guardian, curator, committee or receiver appointed by a court, in the same manner and to the same amount as that incapacitated person would have been assessed and charged if he were not an incapacitated person.

47. (1) The income of a non-resident person shall be assessed on, and the tax thereon charged on, that person either in his name or in the name of his trustee, guardian, curator or committee, or of any attorney, factor, agent, receiver or manager.

(2) The master of a ship, or the captain of an aircraft, owned or chartered by a non-resident person who is chargeable to tax under section 9 shall (though not to the exclusion of any other agent) be deemed the agent of that non-resident person for the purposes of this section.

(3) Nothing in this section shall render a non-resident person assessable or chargeable in the name of a broker, general commission agent or other agent where that broker, general commission agent or other agent is not the normal agent of the non-
<table>
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<th>Section</th>
<th>Description</th>
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<tr>
<td><strong>48. (1)</strong></td>
<td>The income accrued to, or received prior to the date of the death of a deceased person which would, but for his death, have been assessed and charged to tax on him for a year of income shall, subject to section 79(1)(d), be assessed on, and the tax charged on, his executors or administrators for that year of income.</td>
</tr>
<tr>
<td><strong>(2)</strong></td>
<td>An amount received by the executors or administrators of a deceased person which would, but for his death, have been his income for a year of income shall be deemed to be income of his executors or administrators and shall be assessed on, and the tax charged on them for that year of income.</td>
</tr>
<tr>
<td><strong>(3)</strong></td>
<td>Where executors or administrators distribute the estate of a deceased person before a change in the rate of tax at which they are liable in respect of a year of income, they shall not be liable in respect of any increased tax resultant from that change.</td>
</tr>
<tr>
<td><strong>49.</strong></td>
<td>Where two or more persons are trustees, an assessment made on the trustees in that capacity may be made on any one or more of them but each trustee shall be jointly and severally liable for the payment of tax charged in the assessment.</td>
</tr>
<tr>
<td><strong>50.</strong></td>
<td>A person in whose name the income of another person is assessable under this Act shall be responsible, in relation to the assessment of that income, for doing all things that are under this Act required to be done by a person whose income is chargeable to tax, and shall be responsible for the payment of tax so charged on him to the extent of any assets of that other person which are in his possession on, or may come into his possession after, the date of the service of a notice of assessment on him.</td>
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<tr>
<td><strong>51.</strong></td>
<td>A person responsible under this Act for the payment of tax on behalf of that other person may retain out of money coming to his hands on behalf of that other person so much thereof as is sufficient to pay the tax, and that person is hereby indemnified against any claim whatsoever for all payments so made by him.</td>
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**PART VIII - RETURNS AND NOTICES**

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<tr>
<th>Section</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>51A.</strong></td>
<td>(Repealed by 38 of 2016, s.11).</td>
</tr>
<tr>
<td><strong>52.(1)</strong></td>
<td>The Commissioner may, by notice in writing, require a person to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return of income for any year of income containing a full and true statement of the income of that person, including income deemed to be his under this Act, liable to tax and of those particulars that may be required for the purposes of this Act; and that return shall include a declaration signed by that person, or by the person in whose name he is assessable, that the return is a full and true statement; but where a person carrying on a business has made a provisional return of income, the return of</td>
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</table>
income under this subsection may be made within a period not exceeding nine months from the date to which he makes up the accounts of that business.

(2) In the case of the executors or administrators of a deceased person, or of the liquidator of resident company, or of a bankrupt, or of a person whom the Commissioner has reason to believe is about to leave Kenya, the Commissioner may, by notice in writing, require him to furnish a return of income at any time whether before or after the end of the year of income to which that return relates.

(3) A person chargeable to tax for a year of income who –

(a) within four months after the end of that year of income; or

(b) being a person carrying on a business the accounting period for which ends on some day other than 31st December in that year of income, has not made a provisional return of income for that year of income within four months of the end of that accounting period, has not been required to make a return of income for that year of income under subsection (1) shall, within fourteen days after the expiration of the period of four months, give notice in writing to the Commissioner that he is so chargeable:

Provided that an employee shall not be required to give notice -

(i) if he had no income chargeable to tax for that year of income other than from emoluments; and

(ii) if the tax payable in respect of those emoluments has been recovered by deduction under section 37.

(4) Where a business is carried on by two or more persons in partnership, the Commissioner may, by notice in writing, require the precedent resident partner, that is the partner who, of the resident partners -

(a) is first named in the agreement of partnership; or

(b) if there be no agreement, is specified by name or initials singly, or with precedence to the other partners, in the usual name of the partnership; or

(c) is first named in any statement required for the purposes of registration of the business under any law of Kenya; or

(d) is the precedent resident active partner if the partner named with precedence is not an active partner,

to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return of income of the partnership, ascertained under this Act as if the partnership were a person liable to tax, for any year of income prior to that in which the notice is served containing a full and true statement of the income and of
such particulars as may be required for the purposes of this Act, including the names and addresses of the partners together with the amount of the share of the income to which each partner was entitled for that year of income.

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<tr>
<th>Installment Returns</th>
<th>52A. (Repealed by 8 of 1996, s.40).</th>
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<td>Installment Returns</td>
<td>10 of 1990, s.51</td>
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<tr>
<td></td>
<td>4 of 1993, s.45</td>
</tr>
<tr>
<td>Final Return with</td>
<td>52B. (1) Notwithstanding any other provision of this Act –</td>
</tr>
<tr>
<td>Self-assessment.</td>
<td>(a) every individual chargeable to tax under this Act shall for any year of income commencing with the year of income 1992, furnish to the Commissioner a return of income, 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; and</td>
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<td></td>
<td>(b) every person, other than an individual chargeable to tax under the Act, shall for any accounting period commencing on or after 1st January, 1992 furnish to the Commissioner a return of income, including a self-assessment of his tax on such income, not later than the last day of the sixth month following the end of his accounting period:</td>
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<td></td>
<td>7 of 2002 s.44</td>
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<td></td>
<td>57 of 2012 s.19</td>
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<td></td>
<td>(2) The return of income together with the declared self-assessment of tax on the declared income, shall be prepared on such a form or forms as shall be prescribed by the Commissioner.</td>
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<td></td>
<td>(3) The declared self-assessment shall be calculated by reference to the appropriate relief and rates of tax in force for the year of income.</td>
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<td></td>
<td>(4) Every company liable to tax under this Act, shall also include with the self-assessment and return of income an assessment and return of any compensating tax due with respect to such tax year and the compensating tax so calculated shall be payable at the due date for the self-assessment.</td>
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<td>(5) The Commissioner may, where he considers appropriate, send to any person to whom this section applies in respect of any year of income a form or forms to enable that person to furnish the required return; and failure by the Commissioner to send the return form or forms shall not affect the obligation of that person to furnish the required return by the date specified in this section.</td>
</tr>
<tr>
<td>Provisional returns.</td>
<td>53. Repealed by 16 of 2014 s. 13</td>
</tr>
<tr>
<td></td>
<td>2 of 1975, s.5</td>
</tr>
<tr>
<td>Documents to be</td>
<td>54.(1) Where a person who carries on a business makes a return for a year of income, and accounts of his business for an accounting period relating to that year of income have been prepared or examined by another person in a professional capacity, then he shall furnish with that return of income -</td>
</tr>
<tr>
<td>included in return</td>
<td>(a) a copy of the accounts signed by himself and by that other person together with</td>
</tr>
<tr>
<td>of income.</td>
<td>13 of 1979, s.5, 18 of 1979, s.2.</td>
</tr>
</tbody>
</table>
a certificate signed by that other person -

(i) where the accounts were prepared by the other person, specifying the nature of the books of accounts and documents from which the accounts were so prepared; and

(ii) stating whether and subject to what reservations, if any, he considers that the accounts present true and fair view of the gains or profits from the business for that accounting period;

(b) in the case of a company or partnership, a certificate specifying the nature and amounts of all payments of whatever kind made, and the nature of any benefit, advantage, or facility of whatever kind granted, in the case of a company to the directors thereof and to employees whose emoluments are at the rate of eighty thousand shillings a year or more, or, in the case of a partnership, to the partners; and the certificate shall be signed by a majority of the directors or partners (of whom one shall be the partner who signed the return of income of the partnership), as the case may be, or, if there are less than three directors or partners, by all the directors or partners:

Provided that, in the case of a company, other than a private company, or a wholly owned subsidiary of that company, the certificate signed referred to in paragraph (b) shall not be furnished unless the Commissioner in a particular case so requires.

(2) The Commissioner may, by notice in writing, require a person who has made a return of income and to whom subsection (1) applies to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a certificate signed by the professional person who prepared or examined the accounts a copy of which was sent with the return -

(a) stating whether to the best of his knowledge and belief the certificate referred to in subsection (1)(b) is true and correct;

(b) where the accounts were prepared by a professional person, recording the extent of his verification of the books of accounts and documents produced to him;

(c) where the accounts were examined by a professional person, specifying the nature of the books of account and documents produced to him and the extent of his examination thereof.

(3) Where a professional person refuses to give a certificate referred to in subsection (1) or (2) he shall furnish to the person who made the return a statement in writing of his refusal and of the reasons therefor and the person who made the return shall send the statement to the Commissioner.

(4) Where a person who carries on a business makes a return of income for a year
of income and accounts of his business for an accounting period relating to that year of income have not been prepared or examined by another person in a professional capacity, he shall furnish with the return of income such accounts of his business for the accounting period relating to that year of income as are necessary to support the information contained in the return together with –

(a) a certificate signed by himself -

(i) specifying the nature of the books of account and documents from which the accounts were prepared;

(ii) stating whether the accounts reflect all the transactions of his business and present a true and fair view of the gains or profits from the business for that accounting period.

(b) in the case of a company or partnership, a certificate specifying the nature and amounts of all payments of whatever kind made to, and the nature of any benefit, advantage, or facility, of whatever kind, granted, in the case of a company, to the directors thereof and to employees whose emoluments are at the rate of eighty thousand shillings a year or more, or, in the case of a partnership, to the partners; and the certificate shall be signed by a majority of the directors or partners (of whom one shall be the partner who signed the return of income of the partnership), as the case may be, or if there are less than three directors or partners, by all the directors or partners.

8 of 2008 s.36

(4A) Deleted by 57 of 2012 s.19 (4B)

(4B) Deleted by No. 57 of 2012 s.19 (5)

(5) For the purposes of this section:-

8 of 2008 s.36

"accounts" means a balance sheet or statement of assets and liabilities, and trading account, profit and loss account, receipts and payments accounts, or other similar account however named;

4 of 2004, s.52

Cap.531

“professional person”, in the case of a company, means a holder of a practicing certificate or a written authority to practice issued in accordance with the provisions of the Accountants Act.

Keeping of records of receipts expenses, etc.

54A. (1) A person carrying on a business shall keep records of all receipts and expenses, goods purchased and sold and accounts, books, deeds, contracts and vouchers which in the opinion of the Commissioner, are adequate for the purpose of computing tax.

16 of 2014 s. 14

(1A) For the purpose of this section, the carrying on of business includes any activity giving rise to income other than employment income.

8 of 1996, s.41

(2) Any person who contravenes the provisions of subsection (1) shall be liable
to such penalty, not exceeding twenty thousand shillings, as the Commissioner may deem fit to impose.

### Supply of information upon change in particulars

**54B.** Every person carrying on a business shall notify the Commissioner of any changes in the following particulars within thirty days of the occurrence of the change –

- (a) the place of business, trading name and contact address;
- (b) in the case of –
  - (i) an incorporated person, of the persons with shareholding of ten per cent or more of the issued share capital;
  - (ii) a nominee ownership, to disclose the beneficial owner of the shareholding;
  - (iii) a trust, full identity and address details of trustees, settlors and beneficiaries of the trust;
  - (iv) a partnership, the identity and address of all partners; or
  - (v) cessation or sale of business, all relevant information regarding liquidation or details of ownership.

### Books and accounts

**55.** Deleted by Act No. 29 of 2015, 2nd Sch.

### Production and preservation of books, attendances, etc

**56.** (Deleted by 29 of 2015 s.110)

### Return of salaries, pensions, etc.

**57. (1)** The Commissioner may, by notice in writing, require an employer or any other person making the payments herein referred to, to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return containing -

- (a) the names and addresses of all persons to whom or in respect of whom payments and allowances were made by him in respect of their employment, and the amounts of the payments and allowances made to each of them;

- (b) the names and addresses of all persons to whom he paid pensions in respect of past employment with him or with any other person and the amount of the pension paid to each of them; but the Commissioner may by notice in writing exclude from the return any class of person or payment or allowance.

**57. (2)** For the purposes of this section, references in subsection (i) –

- (a) to payments and allowances made to persons in respect of their employment include all payments, and all benefits, advantages and facilities which are referred to in sections 5(2)(a), (b), (c) and (e);

- (b) to persons employed include, in relation to a company, a director of that
(3) By notice published in two successive issues of the Gazette, the Commissioner may require all employers, or any employer or class of employer, to furnish him within a reasonable time, not being less than thirty days from the date of publication of the second notice, with a written return containing the name and address of the employer and the number of his employees from whose emoluments tax is to be deducted in accordance with section 37 and with such other information as the Commissioner may by that notice require.

Return as to fees, commissions, royalties, etc.

58. (1) The Commissioner may, by notice in writing, require a person carrying on a business to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return of all payments made by that person of any kind specified in the notice, being –

(a) payments made in the course of the business for services rendered, or in anticipation of services to be rendered, by persons not employed in the business; or

(b) payments for services rendered, or in anticipation of services to be rendered, in connection with the formation, acquisition, development, or disposal of the business or a part of it, by persons not employed in the business; or

(c) periodical or lump sum payments in respect of any royalty.

(2) A return made under this section shall give the names and addresses of all persons to whom payments were made, the amounts of the payments and such other particulars as may be specified in the notice.

(3) For the purposes of this section –

(a) references to payments for services include references to payments in the nature of commission of any kind and references to payments in respect of expenses incurred in connection with rendering of services; and

(b) references to the making of payments include references to the giving of any form of valuable consideration, and the requirement imposed by subsection (2) to state the amount of a payment shall, in relation to any consideration given otherwise than in the form of money, be construed as a requirement to give particulars of the consideration.

Occupier's return of rent.

59. The Commissioner may, by notice in writing, require a person who is the occupier of premises to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return containing -
### Return of lodgers and inmates

60. The Commissioner may, by notice in writing, require a person who provides accommodation for a lodger or inmate to furnish him within a reasonable time, not less than thirty days from the date of service of the notice, with a return containing the name of every lodger or inmate who is at the date of the notice resident in his house, hotel or institution, and who has (except for temporary absences) been so resident throughout the three months prior to the date of the notice.

<table>
<thead>
<tr>
<th>Return of lodgers and inmates.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) the name and address of the owner or lessor of the premises; and</td>
</tr>
<tr>
<td>(b) a full and true statement of rent or any other consideration payable for the occupation thereof.</td>
</tr>
</tbody>
</table>

### Return of income received on account of other persons.

61. The Commissioner may, by notice in writing, at any time require a person who is in receipt of income as the representative of, or on behalf of, another person who is chargeable to tax in respect thereof, or who would be so chargeable if he were a resident person, to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return containing –

<table>
<thead>
<tr>
<th>Return of income received on account of other persons.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) a full and true statement of the income; and</td>
</tr>
<tr>
<td>(b) the name and address of the person to whom it belongs.</td>
</tr>
</tbody>
</table>

### Return as to income exempt from tax

62. The Commissioner may, by notice in writing, require a person to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return containing a full and true statement –

<table>
<thead>
<tr>
<th>Return as to income exempt from tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) all of the income of that person which is exempt from tax or which that person claims to be exempt;</td>
</tr>
<tr>
<td>(b) of all particulars which the Commissioner may specify in the notice in relation to that income and in relation to any assets from which that income is derived.</td>
</tr>
</tbody>
</table>

### Return in relation to settlements.

63. The Commissioner may, by notice in writing, require the trustees of, or a party to, a settlement referred to in section 25 or 26 to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return containing such particulars as he may consider necessary for the purposes of those sections.

### Return in relation to registered pension fund, etc.

64. The Commissioner may, by notice in writing, require the trustees of a registered pension fund or pension scheme and an employer who contributes to that fund to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return containing -

<table>
<thead>
<tr>
<th>Return in relation to registered pension fund, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) the name and place of residence of every person in receipt of any payment made under the regulations of the fund or scheme;</td>
</tr>
</tbody>
</table>
(b) the amount and nature of payment;

(c) a copy of the accounts of the fund or scheme up to the last date prior to the notice to which the accounts have been made up; and

(d) such further information and particulars in connection with the fund or scheme or the regulations relating thereto as the Commissioner may require.

65. The Commissioner may, by notice in writing, at any time require a person by whom benefits are payable under an annuity contract to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return giving the full name and address of each person to whom an annuity has been paid and the amount of the annuity so paid during any year of income.

66. The Commissioner may, by notice in writing, at any time require a resident company which pays a dividend to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return giving the full name and address of each shareholder to whom a dividend was paid and, in respect of each shareholder, full particulars of his shareholding at the date of declaration of the dividend, the gross amount paid or payable to him, the tax deducted thereupon and any other particulars that the Commissioner may require, as notified generally by notice published in the Gazette or as specified by notice in writing to a particular resident company.

67. (1) The Commissioner may, by notice in writing, require a person carrying on a business who, in the ordinary course of the operation thereof, receives or retains money in circumstances that interest becomes payable thereon, and in particular, a person carrying on the business of banking, to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return of all interest paid or credited by that person during a year specified in the notice in the course of his business, or any part of his business that may be so specified, on money received or retained in Kenya giving the names and addresses of the persons to whom the interest was paid or credited and stating, in each case, the amount of the interest; but the year specified in the notice shall not be a year ending more than three years before the date of the service of the notice.

(2) Without prejudice to the powers conferred by subsection (1), a separate notice may be served under that subsection as respects the transactions carried on at any branch of a business that may be specified in the notice, and that separate notice shall, if served on the manager or other person in charge of the branch, be deemed to have been duly served on the person carrying on the business, and where a separate notice is so served as respects the transactions carried on at any branch, a notice subsequently served under subsection (1) on the person carrying on the business shall not be deemed to extend to a transaction to which the separate notice extends.

(3) This section shall, with any necessary adaption, apply in relation to the Kenya Post Office Savings Bank, and shall have effect notwithstanding anything in any written
law precluding the disclosure of the name of a depositor or of information in relation to his deposit.

| Return as to dividends paid by building societies. | 68.(1) The Commissioner may, by notice in writing, require a building society to furnish him within a reasonable time, not being less than thirty days from the date of service of the notice, with a return of dividends paid or credited during a year specified in the notice in respect of shares held -  
(a) in the case of a foreign building society, by a person who is resident in Kenya; and  
(b) in the case of a resident building society, by any person, and the return shall give the names and addresses of the persons to whom the dividends were paid or credited and shall state, in each case, the amounts of the dividends; but the year specified in the notice shall not be a year ending more than three years before the date of the service of the notice. |
|---|---|
| Cap.459 | (2) For the purposes of this section –  
"foreign building society" means a building society registered under section 75 of the Building Societies Act;  
"resident building society" means a building society registered under section 6 of that Act. |
| Access to official information. | 69. (Deleted by 29 of 2015 S. 110) |
| Further returns and extension of time | 70. (Deleted by 29 of 2015 s.110) |
| Return deemed to be furnished by due authority. | 71. (Deleted by 29 of 2015 s.110) |
| 72. (Repealed by 38 of 2016 s. 12) |
| 72A. (Repealed by 29 of 2015 s. 110) |
| Penalty for the negligence of authorized tax agent. 8 of 1991 s.65 | 72B. Where the additional tax charged under sections 72 and 72A results from the failure, omission, claim, statement or deduction which arises due to the negligence or disregard of law by a person who is an authorized tax agent, such a person shall be liable to a penalty equal to one half of such additional tax but in any case not less than one thousand shillings and not exceeding fifty thousand shillings with respect to each such return, statement or other document as shall be the subject of such additional tax:  
Provided that nothing in this section shall affect the liability to tax of the person subject to additional tax under section 72. |
| Penalty on underpayment of | 72C. (1) Subject to the Twelfth Schedule, a penalty of twenty percent of the |
difference between the amount of instalment tax payable in respect of a year of income as specified in section 12, and the instalment tax actually paid multiplied by one hundred and ten per cent shall be payable.

(2) Where the Commissioner is satisfied that the difference referred to in subsection (1) was due to reasonable cause, he may remit the whole or part of the penalty payable under this section, and where for a year of income the difference arises wholly or partly from an estimate of tax to be charged made before any change in any allowance, relief or rate of tax, the Commissioner may remit the interest charged thereon to the extent to which it is attributable to such a change:

Provided that –

(a) the Commissioner may remit up to a maximum of one million five hundred thousand shillings per person per annum of the penalty or interest; and

(b) the Commissioner may remit any amount of penalty or interest in excess of one million five hundred thousand shillings with the prior written approval of the Minister; and

(c) the Commissioner shall make a quarterly report to the Minister of all penalties and interest remitted during that quarter.

Penalty on unpaid tax. 4 of 1993 s.51
8 of 1997, s.44
8 of 1997, s.44

73.(1) Save as otherwise provided, the Commissioner shall assess every person who has income chargeable to tax as expeditiously as possible after the expiry of the time allowed to that person under this Act for the delivery of a return of income.

(2) Where a person has delivered a return of income, the Commissioner may -

(a) (i) accept the return and deem the amount that person has declared as his self-assessment in which case no further notification need be given; or

(ii) where the return is in respect of a year of income prior to 1992, accept that return and assess him on the basis thereof;

(b) if he has reasonable cause to believe that the return is not true and correct, determine, according to the best of his judgement, the amount of the income of that person and assess him
(3) Where a person has not delivered a return of income for a year of income, whether or not he has been required by the Commissioner so to do, the Commissioner considers that the person has income chargeable to tax for that year, he may, according to the best of his judgement, determine the amount of the income of that person and assess him accordingly; but the assessment shall not affect any liability otherwise incurred by that person under this Act in consequence of his failure to deliver the return.

<table>
<thead>
<tr>
<th>Provisional assessments</th>
<th>74. Repealed by 16 of 2014 s. 17</th>
</tr>
</thead>
</table>

**Instalment Assessments.**

10 of 1990, s.54
8 of 1996, s.42
16 of 2014, s. 18

74A. (1) Without prejudice to his powers under sections 73, the Commissioner may proceed to make an installment assessment for tax under section 12 in respect of any person after the expiry of the time allowed to that person under this Act for the payment of instalment tax.

(2) When a person has paid installment tax under section 12 he shall thereupon be deemed to have been assessed for the purpose of installment tax under this section on the basis of the amount of installment tax paid.

(3) Where a person has not paid installment tax for a year of income, and the Commissioner considers that the person has or will have income chargeable to tax for that year, he may, according to the best of his judgement, estimate the income of that person and make an installment assessment upon him accordingly.

<table>
<thead>
<tr>
<th>Minimum additional tax or penalty.</th>
<th>74B. (Deleted by 29 of 2015 s.110)</th>
</tr>
</thead>
</table>

**Assessment of person about to leave or having left Kenya.**

75. (Deleted by 29 of 2015 s.110)

**Assessment not to be made on certain employees**

75A. (Repealed by 38 of 2016 s. 13)

76. The Commissioner shall not assess an employee for a year of income—

(c) if that employee had no income chargeable to tax for that year of income other than income consisting of emoluments; and

(d) if on the basis of those emoluments and the personal reliefs to which that employee is entitled the tax payable by that employee in respect of those emoluments has been recovered by deduction under section 37,

unless, prior to the expiry of seven years after that year of income, that employee applies to the Commissioner to be assessed, whether in connection with a claim for repayment of tax or otherwise, or the Commissioner considers an assessment to be
necessary or expedient so as to arrive at the correct amount of the tax to be charged upon or to be payable by that employee for that year of income.

| Assessments not to be made on certain income: 8 of 1991, s.67 | 76A. The Commissioner shall not assess any person for any year of income on that portion of income which has been subject to withholding tax which is also a final tax. |
| Additional assessments. | 77. (Deleted by 29 of 2015 s.110) |
| Service of notice of assessments, etc. | 78. (Deleted by 29 of 2015 s.110) |
| Time limit for making assessments, etc | 79. (Deleted by 29 of 2015 s.110) |
| Assessments list. | 80. (Deleted by 29 of 2015s.110) |
| Errors, etc. in assessments or notices | 81. (Deleted by 29 of 2015s.110) |

**PART X - OBJECTIONS, APPEALS AND RELIEF FOR MISTAKES**

**PART XI - COLLECTION, RECOVERY AND REPAYMENT OF TAX**

| Local committees | 82. (Repealed by 40 of 2013 s.42) |
| The Tribunal | 83. (Repealed by 40 of 2013 s. 42) |
| Notice of objection of assessment. | 84. (Deleted by 29 of 2015 s. 110) |
| Powers of Commissioner on receipt of objection | 85. (Deleted by 29 of 2015 s. 110) |
| Rights of Appeal from Commissioner’s determination of objection. 10 of 1986, s30 | 86. (Deleted by 29 of 2015 s. 110) |
| Procedure on appeal. | 87. (Deleted by 29 of 2015 s. 110) |
| Finality of assessment. | 88. (Deleted by 29 of 2015 s. 110) |
| Application of appeal procedure to other decisions, etc., of Commissioner. 8 of 1978, s.9 | 89. (Deleted by 29 of 2015 s. 110) |
| Relief in respect of error or mistake. | 90. (Deleted by 29 of 2015 s. 110) |
| Rules for appeals to the court. | 91. (Deleted by 29 of 2015 s. 110) |
| Appeals to Court of Appeal. | 91A. (Deleted by 29 of 2015 s. 110) |
### PART XI - COLLECTION, RECOVERY AND REPAYMENT OF TAX

<table>
<thead>
<tr>
<th>Time within which payment to be made.</th>
<th>92. (1) Save as otherwise provided by this Act and any rules made thereunder, tax charged in any assessment shall be due and payable in accordance with this section.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 of 1975, s.5, 7 of 1976, s.2, 13 of 1979, s.5, 9 of 1989, s.21.</td>
<td>(2) The tax charged in an assessment other than a provisional assessment shall be due and payable -</td>
</tr>
<tr>
<td></td>
<td>(a) in the case of an individual -</td>
</tr>
<tr>
<td></td>
<td>(i) where the date of service of an assessment made under section 73(2)(a) is before 31st August in the year following the year of income in respect of which the tax is charged, on or before 30th September in that following year; and</td>
</tr>
<tr>
<td></td>
<td>(ii) in all other cases within thirty days from the date of the service of the notice of such assessment;</td>
</tr>
<tr>
<td></td>
<td>(b) in the case of a person, other than an individual -</td>
</tr>
<tr>
<td></td>
<td>(i) where the date of service of an assessment made under section 73(2)(a) is before 31st May in the year following the year of income in respect of which the tax is charged, on or before 30th June, in that following year; and</td>
</tr>
<tr>
<td></td>
<td>(ii) in all other cases, within thirty days from the date of service of the notice of the assessment.</td>
</tr>
<tr>
<td>7 of 2002 s.47 10 of 1990, s.55</td>
<td>(2A) Where an instalment assessment is made for any year of income on any person under section 74A, the tax charged thereunder shall be due and payable on or before the twentieth day of the months in the current year of income as specified in the Twelfth Schedule:</td>
</tr>
<tr>
<td></td>
<td>Provided that where the instalment assessment is made under section 74A (3), the tax shall be due and payable within thirty days of service of the notice of that assessment.</td>
</tr>
<tr>
<td></td>
<td>(2B) Where the Commissioner makes an instalment assessment under section 74A(3), the amount payable in that assessment for the purpose of section 94 shall be deemed to be tax remaining unpaid after the due date on which interest under the section may be charged.</td>
</tr>
<tr>
<td></td>
<td>(2) Deleted by 16 of 2014 s. 19.</td>
</tr>
<tr>
<td></td>
<td>(3) (Deleted by 9 of 1989 S.21).</td>
</tr>
<tr>
<td>Due date for payment of</td>
<td>(4A) Where a person has notified the Commissioner in writing as required by section 53(3), the provisional tax shall be due and payable within thirty days after the</td>
</tr>
</tbody>
</table>
(5) In the case of a company which is being wound up, the due dates for payment of tax on any income charged for the year of income in which the winding-up commences and for the preceding year of income shall be deemed for the purpose of priority of debts but for that purpose only, to be the date next before the date of the winding-up order or the resolution, special resolution or extraordinary resolution, as the case may be, passed for the winding-up of the company, and whether or not assessments have been made before that date.

(6) Where a notice of objection has been given then, notwithstanding that the assessment has not been finally determined, if the tax is due and payable under subsection (2), so much of the tax as is not in dispute shall be due and payable in accordance with that subsection and the balance in accordance with section 93; but the Commissioner may permit a lesser or no amount to be paid in accordance with this subsection, in which case the balance of the amount, as the case may be, otherwise so due and payable shall be due and payable at the same time as the amount referred to in section 93 is to be paid.

(6) (Deleted by 29 of 2015 s.110)

(7) (Deleted by 29 of 2015 s.110)

(8) (Deleted by 29 of 2015 s.110)

92A. (1) Where any person required to furnish a return under section 52B, the tax chargeable thereunder shall be due and payable on the last day of the fourth month following end of his year of income or accounting period.

(2) Where the Commissioner makes an additional assessment under section 73(2)(b), the tax charged thereunder shall be deemed to have been due and payable on the last day of the fourth month following the end of the year of income or accounting period.

93. (Deleted by 29 of 2015 s.110)

94. (Deleted by 29 of 2015 s.110)

95. (Deleted by 29 of 2015 s.110)
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>95A.</td>
<td>(Repealed by 4 of 1993 S.56)</td>
</tr>
<tr>
<td>96.</td>
<td>(Deleted by 29 of 2015 s.110)</td>
</tr>
<tr>
<td>96A.</td>
<td>(Deleted by 29 of 2015 s.110)</td>
</tr>
</tbody>
</table>
| 97.     | Where a person dies, then to the extent to which -  
|         | (a) tax charged in an assessment made upon him has not been paid; or  
|         | (b) his executors are charged to tax in an assessment made under section 48, the amount of tax unpaid or charged, as the case may be, in the assessment as finally determined shall be a debt due and payable out of his estate. |
| 98.     | (Repealed by 38 of 2016 s.14) |
| 99.     | (Repealed by 9 of 2000 S.53) |
| 100.    | (Deleted by 29 of 2015 s.110) |
| 101.    | (Deleted by 29 of 2015 s.110) |
| 102.    | (Deleted by 29 of 2015 s.110) |
| 103.    | (Deleted by 29 of 2015 s.110) |
| 104.    | In addition to any other powers of collection of tax provided in this Act, the Commissioner may, in a case where tax recoverable in the manner provided by section 101 has been charged on the income of a person who carries on the business of ship-owner, charterer or air transport operator, issue to the proper officer of Customs by whom clearance may be granted a certificate containing the name of that person and the amount of the tax due and payable and on receipt of that certificate the proper officer of Customs shall refuse clearance from any port or airport in Kenya to any ship or aircraft owned by that person until the tax has been paid.  
|         | (2) No civil or criminal proceedings shall be instituted or maintained against the proper officer of Customs or any other authority in respect of a refusal of clearance under this section, nor shall the fact that a ship or aircraft is detained under this section affect the liability of the owner, charterer or agent to pay harbour or airport dues and charges for the period of detention. |
| 105.    | (Repealed by 38 of 2016 s.14) |
106.(1) Where under a will or settlement, other than a settlement to which section 25 or 26 applies, income (in this section referred to as the trust income) arising from a fund is accumulated for the benefit of a person contingently on his attaining some specified age or marrying then, if that person proves to the satisfaction of the Commissioner that the contingency has happened, he shall, on making to him a claim for that purpose, be entitled to have repaid to him a sum equal to the amount by which the total amount of tax borne by the trust income during the period of accumulation exceeds the total amount of additional tax which would have been borne by him during that period if the trust income and the income from any other fund subject to the same trust for accumulation had been included in his total income; but in calculating that sum a deduction shall be made in respect of tax borne by the trust fund and already repaid to him.

(2) A claim for repayment under this section shall be made in writing to the Commissioner within six years after the expiry of the year of income in which the contingency happened.

### PART XII - OFFENCES AND PENALTIES

#### General penalty.

107. A person guilty of an offence under this Act for which no other penalty is specifically provided shall be liable to a fine not exceeding one hundred thousand shillings or to imprisonment for a term not exceeding six months or to both.

#### Additional penalties

108. (Repealed by 15 of 2017, s. 14)

109.(1) A person shall be guilty of an offence if he, without reasonable excuse-

(a) fails to furnish a return or give a certificate as required by section 35(5); or

(b) fails to furnish a full and true return in accordance with the requirements of a notice served on him under this Act or fails to give notice to the Commissioner as required by section 52(3); or

(c) fails to furnish within the required time to the Commissioner or to any other person any document which under this Act, or under a notice served on him under this Act, he is required so to furnish; or

(d) fails to keep records, books or accounts in accordance with the requirements of a notice served on him under section 55(1), or fails to keep those records, books or accounts in the language specified in the notice; or

(e) fails to preserve a record, document or book of account in contravention of Section 55 (2); or

(f) fails to produce a document for the examination of the Commissioner in
accordance with the requirements of a notice served on him under this Act; or

(g) destroys, damages or defaces any accounts or other documents in contravention of a notice served on him under section 56(1); or

(h) fails to attend at a time and place in accordance with the requirements of a notice served on him under this Act; or

(i) fails to answer any question lawfully put to him, or to supply any information lawfully required from him, under this Act; or

(j) fails to deduct and account, or fails to account for tax, as provided by section 37, or fails to supply prescribed certificates as is required by that section; or

(k) when requested by the Commissioner, fails to furnish the identifying number required under section 132, or fails to include in any return, in a statement or in other documents the identifying number when required to do so.

(2) No prosecution for an offence under this section shall be instituted at any time subsequent to two years after the date of the commission of the offence or, in the case of the contravention of paragraph (d), (e) or (g) of subsection (1) after the date on which the fact of the commission of that offence came to the knowledge of the Commissioner.

<table>
<thead>
<tr>
<th>Incorrect returns, etc.</th>
<th>110. (Deleted by 29 of 2015 s.110)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraudulent Returns, etc</td>
<td>111. (Deleted by 29 of 2015 s.110)</td>
</tr>
<tr>
<td>Objection of Officers</td>
<td>112. (Deleted by 29 of 2015 s.110)</td>
</tr>
<tr>
<td>Evidence in cases of fraud, etc</td>
<td>113. (Deleted by 29 of 2015 s.110)</td>
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<td>Power of Commissioner to compound offences</td>
<td>114. (Deleted by 29 of 2015 s.110)</td>
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<td>Officer may appear on prosecution</td>
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<td>118. (Deleted by 29 of 2015 s.110)</td>
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<td>Power to search and seize.</td>
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<td>Power to inspect books and documents.</td>
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<tr>
<td>Admissibility of evidence.</td>
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**PART XIII – ADMINISTRATION**

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<th>122. (Deleted by 29 of 2015 s.110)</th>
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<tbody>
<tr>
<td>Commissioner's discretion to abandon or remit tax.</td>
<td>123. (Deleted by 29 of 2015 s.110)</td>
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<tr>
<td>Amnesty for penalties and interest.</td>
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<td>Commissioner to refrain from assessing in some cases</td>
<td>123B. (Deleted by 29 of 2015 s.110)</td>
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<td>Commissioner to refrain from assessing in certain cases</td>
<td>123C. (Deleted by 29 of 2015 s.110)</td>
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<tr>
<td>Exercise of powers, etc.</td>
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<td>Official secrecy</td>
<td>125. (Deleted by 29 of 2015 s.110)</td>
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<tr>
<td>Offences by or in relation to officers, etc</td>
<td>126. (Deleted by 29 of 2015 s.110)</td>
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**PART XIV – MISCELLANEOUS PROVISIONS**

<table>
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<th>Form of notices, etc</th>
<th>127. (Deleted by 29 of 2015 s.110)</th>
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<tr>
<td>Application of Information Technology</td>
<td>127A. (Deleted by 29 of 2015 s.110)</td>
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<tr>
<td>Users of the tax Computerized system.</td>
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<td>Cancellation of registration of registered user.</td>
<td>127C. (Deleted by 29 of 2015 s.110)</td>
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<td>Unauthorized Access to or improper use of tax computerized system.</td>
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<tr>
<td>Section</td>
<td>Description</td>
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<td>---------</td>
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<tr>
<td>128.</td>
<td>(Deleted by 29 of 2015 s.110)</td>
</tr>
<tr>
<td>129.</td>
<td>(Deleted by 29 of 2015 s.110)</td>
</tr>
<tr>
<td>130.</td>
<td>The Minister may make rules prescribing anything, which is to be prescribed under, and generally for carrying out the provisions of, this Act.</td>
</tr>
<tr>
<td>131.</td>
<td>All securities of whatever nature over property, movable or immovable, and all transfers of property in favour of or by the Commissioner shall be exempt from stamp duty.</td>
</tr>
<tr>
<td>132.</td>
<td>(Deleted by 29 of 2015 s.110)</td>
</tr>
<tr>
<td>133. (1)</td>
<td>This Act shall have effect notwithstanding any Act of the Community and shall not be construed as being repealed by any Act of the Community enacted hereafter.</td>
</tr>
</tbody>
</table>

**E.A.Cap.24**

(2) Subject to subsection (4), the Management Act shall, notwithstanding anything contained in the Treaty for East African Co-operation Act, cease to have the force of law in Kenya with effect from 1st January, 1974.

(3) Subject to subsection (4), the Income Tax (Allowances and Rates) (No. 2) Act, 1971, is repealed.

(4) Notwithstanding subsections (2) and (3), the Management Act, and the Income Tax (Allowances and Rates) (No. 2) Act, 1971, shall remain in force for all purposes in relation to the year of income 1973 and previous years of income and the Income Tax (Allowances and Rates) (no. 2) Act, 1971, shall be read and construed as if, when enacted, the Second Schedule thereto contained the following additional paragraph –

3. The non-resident tax rates shall be the rates set out in paragraph 1 of the Third Schedule to this Act and for the purposes of this paragraph those rates shall be charged from 18th June, 1971.

(5) The transitional provisions contained in the Sixth Schedule shall have effect notwithstanding anything contained in this Act.

(6) Notwithstanding the repeal of the Second Schedule, the provisions of paragraph 24E of the repealed Schedule shall continue to be in force until 31st December, 2022.

(7) Subject to the provisions of section 12 of this Act, any investment allowance on any written down values as at the date of commencement of this Act, shall be claimed on a straight-line basis.
### FIRST SCHEDULE (Sections 13 & 14)

**EXEMPTIONS**

**PART I - INCOME ACCRUED IN, DERIVED FROM OR RECEIVED IN KENYA WHICH IS EXEMPT FROM TAX**

1. So much of the income of a person as is expressly exempted from income tax by or under the provisions of any Act for the time being in force, to the extent provided by that Act.

2. The income of a person who, or organization, which, is exempt from income tax by or under any Act for the time being in force, to the extent provided by that Act.

3. (Deleted by No. 57 of 2012 s.23).

4. (Deleted by No. 2 of 2020 Sch.)

5. (Deleted by 13 of 1984, s.21.)

6. The income, other than income from investments, of an amateur sporting association, that is to say, an association -
   - (a) Whose sole or main object is to foster and control any outdoor sport; and
   - (b) Whose members consist only of amateurs or affiliated associations the members of which consist only of amateurs; and
   - (c) Whose memorandum of association or by-laws have provisions defining an amateur or a professional and providing that no person may be or continue to be a member of that association if that person is not an amateur.

7. (Deleted by No. 2 of 2020 Sch.)

8. The income of a county government.

9. (Deleted by No. 2 of 2020 Sch.)

10. Subject to section 26, the income of an institution, body of persons, or irrevocable trust, of a public character established solely for the purposes of the relief of the poverty or distress of the public, or for the advancement of religion or education: -
   - (a) established in Kenya; or
   - (b) whose regional headquarters is situated in Kenya,
in so far as the Commissioner is satisfied that the income is to be expended either in Kenya or in circumstances in which the expenditure of that income is for purposes which result in the benefit of the residents of Kenya:

Provided that any such income which consists of gains or profits from a business shall not be exempt from tax unless those gains or profits are applied solely to those purposes and either -

(i) the business is carried on in the course of the actual execution of those purposes; or

(ii) the work in connection with the business is mainly carried on by beneficiaries under those purposes; or

(iii) the gains or profits consist of rents (including premiums or similar consideration in the nature of rent) received from the leasing or letting of land and chattels leased or let therewith and provided further that an exemption under this paragraph-

(A) shall be valid for a period of five years but may be revoked by the Commissioner for any just cause; and

(B) shall, where an applicant has complied with all the requirements of this paragraph, be issued within sixty days of the lodging of the application.

11. The income of a person from a management or professional fee, royalty or interest when the Minister certifies that it is required to be paid free of tax by the terms of an agreement to which the Government is a party either as principal or guarantor and that it is in the public interest that the income shall be exempt from tax.

12. The income of a registered pension scheme.

13. The income of a registered trust scheme.

14. The income of a registered pension fund

15. The income of a registered provident fund.

16. The income from the investment of an annuity fund, as defined in section 19, of an insurance company.

17. Pensions or gratuities granted in respect of wounds or disabilities caused in war and suffered by the recipients of those pensions or gratuities.
<p>| | |</p>
<table>
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<tbody>
<tr>
<td><strong>18.</strong></td>
<td>(Deleted by No. 2 of 2020 Sch.)</td>
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<tr>
<td><strong>19.</strong></td>
<td>(Deleted by 8 of 1978, s. 9)</td>
</tr>
<tr>
<td><strong>20.</strong></td>
<td>(Deleted by 8 of 1978, s. 9)</td>
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<tr>
<td><strong>21.</strong></td>
<td>(Deleted by 8 of 1978, s. 9)</td>
</tr>
<tr>
<td><strong>22.</strong></td>
<td>That part of the income of an officer of the Government or of the Community accrued in or derived from Kenya which consists of foreign allowances paid to that officer from public funds in respect of his office:</td>
</tr>
<tr>
<td></td>
<td>Provided that, where a person to whom all allowance is paid is granted a deduction under section 15 in respect of expenditure incurred in relation to an activity for which the allowance is paid, then the exemption conferred by this paragraph shall not apply to so much of that allowance as is equal to the amount of that deduction.</td>
</tr>
<tr>
<td><strong>23.</strong></td>
<td>The income of the East African Development Bank and of Corporations established under Article 71 of the Treaty for East African Co-operation together with the income of subsidiary companies wholly owned by that Bank or by any of those Corporations.</td>
</tr>
<tr>
<td><strong>24.</strong></td>
<td>(Deleted by 8 of 1978, s. 9)</td>
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<tr>
<td><strong>25.</strong></td>
<td>(Deleted by No. 2 of 2020 Sch.)</td>
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<tr>
<td><strong>26.</strong></td>
<td>The emoluments of</td>
</tr>
<tr>
<td></td>
<td>(a) (Deleted by 38 of 2013 s. 22)</td>
</tr>
<tr>
<td></td>
<td>(b) a person in the public service of the government of that country in respect of his office under that government where that person is resident in Kenya solely for the purpose of performing the duties of his office, where those emoluments are payable from the public funds of that country and are subject to income tax in that country.</td>
</tr>
<tr>
<td><strong>27.</strong></td>
<td>The emoluments payable out of foreign sources in respect of duties performed in Kenya in connection with a technical assistance or other agreement for development services or purpose to which the Government is a party to a non-resident person or to a person who is resident solely for the purposes of performing those duties, in any case where the agreement provides for the exemption of those emoluments.</td>
</tr>
<tr>
<td><strong>28.</strong></td>
<td>(Deleted by No. 2 of 2020 Sch.)</td>
</tr>
<tr>
<td><strong>29.</strong></td>
<td>(Deleted by No. 2 of 2020 Sch.)</td>
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<tr>
<td><strong>30.</strong></td>
<td>(Deleted by No. 2 of 2020 Sch.)</td>
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<td><strong>31.</strong></td>
<td>(Deleted by No. 2 of 2020 Sch.)</td>
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<tr>
<td><strong>32.</strong></td>
<td>(Deleted by No. 2 of 2020 Sch.)</td>
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<tr>
<td><strong>33.</strong></td>
<td>(Deleted by No. 2 of 2020 Sch.)</td>
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<tr>
<td><strong>34.</strong></td>
<td>(Deleted by No. 2 of 2020 Sch.)</td>
</tr>
<tr>
<td><strong>35.</strong></td>
<td>Interest on a savings account held with the Kenya Post Office Savings Bank.</td>
</tr>
<tr>
<td><strong>36.</strong></td>
<td>Such part of the income of an individual, chargeable to tax under section 3(2)(f) as consists of a gain derived from the transfer of -</td>
</tr>
<tr>
<td></td>
<td>(a) (Deleted by No. 2 of 2020 Sch.)</td>
</tr>
<tr>
<td></td>
<td>(b) (Deleted by No. 2 of 2020 Sch.)</td>
</tr>
<tr>
<td></td>
<td>(c) a private residence if the individual owner has occupied the residence continuously for the three year period immediately prior to the transfer concerned;</td>
</tr>
<tr>
<td></td>
<td>Provided that -</td>
</tr>
<tr>
<td></td>
<td>(i) in determining whether or not a person has occupied a residence continuously for three years, any period during which he was temporarily absent from the residence shall be ignored;</td>
</tr>
<tr>
<td></td>
<td>(ii) references to a private residence include the immediately surrounding land utilized exclusively for personal purposes as an adjunct to the residence and not for the production of income, but does not include any part of the residence and land utilized for business purposes;</td>
</tr>
<tr>
<td></td>
<td>(iii) no individual may claim or be taken to have used more than one residence as his residence at the same time for the purposes of this Act;</td>
</tr>
<tr>
<td></td>
<td>(iv) no individual may claim or be taken to have used more than one residence as their residence for the purposes of this Act at any time when they were husband and wife living together;</td>
</tr>
<tr>
<td></td>
<td>(v) no individual shall claim or be taken to have used a residence as a residence at any time when he was defendant of either or both of his parents;</td>
</tr>
<tr>
<td></td>
<td>(vi) where a residence is used in part for business purposes, or is transferred in a single transaction together with land and other property used for the production of income, the taxable value of that property used for residential purposes shall be separately determined</td>
</tr>
</tbody>
</table>
from that used for business purposes or for the production of income;

(d) property (being land) transferred by an individual where -

(i) the transfer value is not more than three million shillings;

(ii) agricultural property having an area of less than fifty acres where that property is situated outside a municipality, gazetted township or an area that is declared by the Minister, by notice in the Gazette, to be an urban area for the purposes of this Act.

(e) (Deleted by No. 2 of 2020 Sch.)

(f) property (including investment shares) which is transferred or sold for the purpose of administering the estate of a deceased person where the transfer or sale is completed within two years of the death of the deceased or within such extended time as the Commissioner may allow in writing.

Provided that where there is a court case regarding such estate the period of transfer or sale under this paragraph shall be two years from the date of the finalization of such court case

(g) property, including investment shares, which is transferred or sold for the purpose of transferring the title or the proceeds into a registered family trust.

| 37. (Deleted by 57 of 2012 s.23) |
| 38. (Deleted by 10 of 1987 s. 36) |
| 39. (Deleted by 10 of 1987 s. 36) |
| 40. (Deleted by No. 2 of 2020 Sch.) |

41. (Deleted by No. 2 of 2020 Sch.)

42. The income of a non-resident person who carries on the business of aircraft owner, charterer or air transport operator, from such business where the country in which such non-resident person is resident extends a similar exemption to aircraft owners, charterers or air transport operators who are not resident in such country but who are resident in Kenya.

43. The income of a registered individual retirement fund.

44. Deleted by Act no.8 of 2020 s.8

45. Income of the National Social Security Fund provided that the fund complies with such conditions as may be prescribed.
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>45A.</td>
<td>The income of the National Hospital Insurance Fund established under the National Hospital Insurance Fund Act, 1998 consisting of -</td>
</tr>
<tr>
<td></td>
<td>(a) all contributions and other payments into and out of the Fund; and</td>
</tr>
<tr>
<td></td>
<td>(b) monies invested under section 34 of the Act.</td>
</tr>
<tr>
<td>46.</td>
<td>Deleted by No. 2 of 2020 Sch.</td>
</tr>
<tr>
<td>47.</td>
<td>Deleted by No. 2 of 2020 Sch.</td>
</tr>
<tr>
<td>48.</td>
<td>Gains arising from trade in securities exchange operating in Kenya by any dealer licensed under the Capital Markets Authority Act Provided that such securities have been held for a period not exceeding twenty-four months from the date of acquisition.</td>
</tr>
<tr>
<td>49.</td>
<td>Interest income accrued in or derived from Kenya under financial arrangements made or guaranteed by the Export-Import Bank of the United States, an agency of the United States of America.</td>
</tr>
<tr>
<td>50.</td>
<td>(1) Investment income of a pooled fund or other kind of investment consisting of retirement schemes, provided that all the constituent schemes of the pooled fund are registered by the Commissioner;</td>
</tr>
<tr>
<td></td>
<td>(2) For the purposes of this paragraph, “pooled fund” has the meaning assigned to it under the Retirement Benefits Act, 1997.</td>
</tr>
<tr>
<td>51.</td>
<td>Interest income accruing from all listed bonds, notes or other similar securities used to raise funds for infrastructure and other social services, provided that such bonds, notes or securities shall have a maturity of at least three years.</td>
</tr>
<tr>
<td>52.</td>
<td>Deleted by No. 2 of 2020 Sch.</td>
</tr>
<tr>
<td>53.</td>
<td>Deleted by No. 8 of 2020 s.8</td>
</tr>
<tr>
<td>53.</td>
<td>Monthly pension granted to a person who is sixty-five years of age or more.</td>
</tr>
<tr>
<td>54.</td>
<td>Interest income on bonds issued by the East African development Bank.</td>
</tr>
<tr>
<td>55.</td>
<td>Deleted by No. 2 of 2020, Sch.</td>
</tr>
<tr>
<td>56.</td>
<td>Deleted by No. 2 of 2020 Sch.</td>
</tr>
<tr>
<td>57.</td>
<td>The income or principal sum of a registered family trust.</td>
</tr>
<tr>
<td>57.</td>
<td>The income of the National Housing Development Fund.</td>
</tr>
<tr>
<td>58.</td>
<td>Any capital gains relating to the transfer of title of immovable property to a</td>
</tr>
</tbody>
</table>
**58.** Income earned by an individual who is registered under the Ajira Digital Program for three years beginning 1st January, 2020;

Provided that—

(a) the individual shall qualify for the exemption upon payment of registration fee of ten thousand shillings per annum; and

(b) the Cabinet Secretary shall, in consultation with the Cabinet Secretary for the ministry responsible for information communication technology, issue regulations for the better carrying out of this provision.

**59.** The amount withdrawn from the National Housing Development Fund to purchase a house by a contributor who is a first-time home-owner.

**60.** Interest income accruing from all listed bonds, notes or other similar securities used to raise funds for infrastructure, projects and assets defined under Green Bonds Standards and Guidelines, and other social services:

Provided that such bonds, notes or securities shall have a maturity of at least three years.

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### PART II - SECURITIES, THE INTEREST ON WHICH IS EXEMPT FROM TAX

(Repealed by No. 2 of 2020 Sch.)

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**SECOND SCHEDULE**

(Sections 4, 5 and 15)

#### PART I – INVESTMENT ALLOWANCES

Deduction of Investment Allowance

2 of 2020, Sch. Act No.8 of 2021

1. Where a person incurs capital expenditure in respect of an item listed in the first column of the table, an investment allowance may be deducted in computing the gains or profits of that person at the corresponding rate specified in the second column, for each year of income—

<table>
<thead>
<tr>
<th>Capital expenditure incurred on:</th>
<th>Rate of Investment Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 of 2021 s. 19(a)(i)</td>
<td>(a) Buildings—</td>
</tr>
<tr>
<td>(i) Hotel building</td>
<td>50% in the first year of use</td>
</tr>
<tr>
<td>(ii) Building used for manufacture</td>
<td>50% in the first year of use</td>
</tr>
<tr>
<td>(iii) Hospital buildings</td>
<td>50% in the first year of use</td>
</tr>
<tr>
<td>(iv) Petroleum or gas storage</td>
<td>50% in the first year of use</td>
</tr>
</tbody>
</table>
### facilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Depreciation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(v) Residual value to item (a)(i) to (a)(iv)</td>
<td>25% per year, in equal instalments</td>
</tr>
<tr>
<td>(vi) Educational buildings including student hostels</td>
<td>10% per year, in equal instalments</td>
</tr>
<tr>
<td>(vii) Commercial building</td>
<td>10% per year, in equal instalments</td>
</tr>
</tbody>
</table>

8 of 2021 s. 19(a)(ii)(A) (b) Machinery

<table>
<thead>
<tr>
<th>Description</th>
<th>Depreciation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Machinery used for manufacture</td>
<td>50% in the first year of use</td>
</tr>
<tr>
<td>(ii) Hospital equipment</td>
<td>50% in the first year of use</td>
</tr>
<tr>
<td>(iii) Ships or aircrafts</td>
<td>50% in the first year of use</td>
</tr>
<tr>
<td>(iv) Residual value items (b)(i) to (b)(iii)</td>
<td>25% per year, in equal instalments</td>
</tr>
<tr>
<td>(v) Motor vehicles and heavy earth moving equipment</td>
<td>25% per year, in equal instalments</td>
</tr>
<tr>
<td>(vi) Computer and peripheral computer hardware and software, calculators,</td>
<td>25% per year, in equal instalments</td>
</tr>
<tr>
<td>copiers and duplicating machines</td>
<td></td>
</tr>
<tr>
<td>(vii) Furniture and fittings</td>
<td>10% per year, in equal instalments</td>
</tr>
<tr>
<td>(viii) Telecommunications equipment</td>
<td>10% per year, in equal instalments</td>
</tr>
<tr>
<td>(ix) Filming equipment by a local film producer licensed by the Cabinet</td>
<td>25% per year, in equal instalments</td>
</tr>
<tr>
<td>Secretary responsible for filming</td>
<td></td>
</tr>
<tr>
<td>(x) Machinery used to undertake operations under a prospecting right</td>
<td>50% in the first year of use and 25% per</td>
</tr>
<tr>
<td>year, in equal instalments</td>
<td></td>
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</tbody>
</table>

8 of 2021 s. 19(a)(ii)(B) (xi) Machinery used to undertake exploration       | 50% in the first year of use and 25% per |
| operations                                                                  | year, in equal instalments               |
| (xii) Other machinery                                                       | 10% per year, in equal instalments       |
8 of 2021 s. 19(a)(iii) | (c) Purchase or an acquisition of an indefeasible right to use fibre optic cable by a telecommunication operator | 10% per year, in equal instalments

8 of 2021 s. 19(a)(iv) | (d) Farmworks | 50% in the first year of use and 25% per year, in equal instalments

Provided that—

(a) in the case of change of user of a building, the deduction shall be restricted to the residual value or unclaimed amount at the applicable rate;

(b) in respect of a hotel, educational or hospital building, the building shall be licensed by the competent authority; and

(c) “building used for manufacture” includes any structure or civil works deemed to be part of a building where the structure or civil works relates or contributes to the use of the building;

(d) “commercial building” includes—

(i) a building used as an office, shop, showroom, godown, storehouse, or warehouse used for storage of raw materials for manufacture of finished or semi-finished goods; or

(ii) civil works relating to water or electric power undertaking, but does not include an undertaking not carried on by way of trade;

(e) “machinery used for manufacture” means machinery used directly in the process of manufacture, and includes machinery used for the following ancillary purposes—

(i) generation, transformation and distribution of electricity;

(ii) clean-up and disposal of effluents and other waste products;

(iii) reduction of environmental damage;

(iv) water supply or disposal;

(v) maintenance of the machinery; or

(vi) scientific research and development;

(f) “manufacture” means the making, including packaging, of goods from raw or semi-finished goods, or the generation of electrical energy for supply to the national grid, or the transformation and distribution of electricity, but does not include design, storage, transport, administration or any other ancillary activity;

(g) civil works include—

(i) roads and parking areas;

(ii) railway lines and related structures;
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
</table>
| 19(v)(B) | (iii) water, industrial effluent and sewerage works;  
|         | (iv) communications and electrical posts and pylons and other electrical supply works; and  
|         | (v) security walls and fencing. |

(h) “Farm works” means farmhouses, labour quarter, any other immovable building necessary for the proper operation of the farm, fences, dips, drains, water and electricity supply works and other works necessary for the proper operation of the farm;

8 of 2021 s. 19(b)  
(1A) Notwithstanding paragraph 1, the investment deduction shall be one hundred per cent where—

(a) the cumulative investment value in the preceding three years outside Nairobi City County and Mombasa County is at least two billion shillings:

Provided that where the cumulative value of investment for the preceding three years of income was two billion shillings on or before the 25th April, 2020, and the applicable rate of investment deduction was one hundred and fifty per cent, that rate shall continue to apply for the investment made on or before the 25th April, 2020;

(b) the investment value outside Nairobi City County and Mombasa County in that year of income is at least two hundred and fifty million shillings; or

(c) the person has incurred investment in a special economic zone.

Calculation of written down or residual value  
2. The written down or residual value of each item referred to in paragraph 1 shall be calculated separately, and shall be the balance of capital expenditure taking into account the sale of the item after deducting investment allowance.

Treatment of excess or deficit of realised amounts  
3. Where the amount realised from the sale of an item referred to in paragraph 1 exceeds the written down or residual value, the excess shall be treated as a trading receipt or, conversely, a trading loss for the year of income.

Balancing charge or deduction on cessation of business  
4. (1) Where an investment allowance has been deducted under paragraph 1 in computing the gains or profits of a person and that person ceases to carry on business for the purposes of which the item was used and the item ceases to be owned by him, a balancing charge or balancing deduction shall be made or allowed for the year of income in which he ceased to carry on business.

(2) Where the person referred to in subparagraph (1) is a partnership, the person shall be deemed to have ceased to carry on business only when all the partners cease to carry on that business.

(3) Where the items are sold by a liquidator of a company, the balancing charge or balancing deduction shall be made or allowed in the year of income in which the winding up commenced.

(4) Where on cessation of a business, a balancing charge or balancing deduction is to be made or allowed under this paragraph and—
| Determination of market value of items used in a business | 5. Where an item is brought into use for a business without being purchased or ceases permanently to be used without being sold, it shall be deemed to have been purchased or sold, and the cost or amount realized shall be deemed to be the market value. |
| Restriction on capital expenditure on motor vehicles | 6. (1) Where capital expenditure exceeding three million shillings is incurred on a motor vehicle, other than a commercial vehicle, that capital expenditure shall be restricted to three million shillings.  
(2) Where the motor vehicle referred to in subparagraph (1) is sold, the sale price shall be deemed to be the proportion of the proceeds of sale, having regard to the original purchase price and three million shillings. |
| Limitation on capital expenditure on buildings | 7. Capital expenditure incurred on the construction of a building does not include capital expenditure on the acquisition of, or of rights in or over, land. |
| Ascertainment of capital expenditure on buildings | 8. (1) Where a building is used partly for purposes other than the purposes specified in paragraph 1, the capital expenditure on which the deduction in respect of the building is calculated shall be the expenditure attributable to that portion of the building which is used for those purposes, but where the expenditure attributable exceeds ninety per cent of the total expenditure incurred on the construction of the building the whole building shall be treated as used for the specified purposes.  
(2) Where an existing building is extended by further construction, the extension shall be treated as a separate building.  
(3) Where capital expenditure is incurred on the construction of a building and before that building is used it is sold, the seller shall not be allowed a deduction.  
(4) Where a person purchases the building referred to in subparagraph (3), that person shall be deemed to have incurred capital expenditure on its construction equal to the capital expenditure actually incurred on its construction or to the amount paid by him, whichever is lesser.  
(5) Where the building referred to in subparagraph (3) is sold more than once before it is used, subparagraph (4) shall apply but only in relation to the last sale.  
(6) Where a building referred to in subparagraph (3) is sold by a person carrying on a business of construction for sale, the qualifying capital expenditure shall be the price paid on the sale. |
9. Any expenditure incurred on behalf of a person by another person, shall not qualify for deduction under this Schedule.

### THIRD SCHEDULE (Sections 29, 30, 31, 32, 33, 34 & 35)

#### RATES OF PERSONAL RELIEFS AND TAX

### HEAD A - RESIDENT PERSONAL RELIEF

<table>
<thead>
<tr>
<th>Resident personal reliefs.</th>
<th>4 of 2004 s.61</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>38 of 2016 s.17</td>
</tr>
<tr>
<td></td>
<td>15 of 2017, s. 18</td>
</tr>
<tr>
<td></td>
<td>7 of 2002 s.48</td>
</tr>
<tr>
<td></td>
<td>10 of 2006 s.31</td>
</tr>
<tr>
<td></td>
<td>9 of 2018, Sched.</td>
</tr>
<tr>
<td></td>
<td>23 of 2019 s.</td>
</tr>
<tr>
<td></td>
<td>15(a)</td>
</tr>
<tr>
<td></td>
<td>2 of 2020, Sch.</td>
</tr>
</tbody>
</table>

1. **Personal Relief**
   
   The amount of personal relief shall be twenty-eight thousand eight hundred

2. **Insurance Relief**
   
   The amount of insurance relief shall be fifteen percent of the amount of premiums paid but shall not exceed sixty thousand shillings per annum.

3. **Affordable housing relief**
   
   The amount of affordable housing relief shall be 15% of the employee’s contribution but shall not exceed Ksh. 108,000 per annum.

### HEAD B - RATES OF TAX

<table>
<thead>
<tr>
<th>2 of 1975, s.5,</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 of 1975, s.2,</td>
</tr>
<tr>
<td>7 of 1976, s.2,</td>
</tr>
</tbody>
</table>

1. **The individual rates of tax shall be**

<table>
<thead>
<tr>
<th>Rate in each shilling</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the first K Sh.288,000 10%</td>
</tr>
<tr>
<td>On the next K Sh.100,000 25%</td>
</tr>
<tr>
<td>On all income over KSh.388,000 30%</td>
</tr>
</tbody>
</table>

1A. **The wife's employment, wife's professional and wife’s self-employment income rates of tax shall be:**

<table>
<thead>
<tr>
<th>Rate in each shilling</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the first K Sh. 288,000 10%</td>
</tr>
<tr>
<td>On the next K Sh. 100,000 25%</td>
</tr>
<tr>
<td>On all income over KSh.388,000 30%</td>
</tr>
</tbody>
</table>

2. **The corporate rate of tax shall be**

   (a) **in the case of a resident company**
   
   |
   |

   (i) **for the year of income 1974 and each subsequent year of income up to and including the year of income 1989** 9.00
(ii) for the year of income 1990 8.50
(iii) for the year of income 1991 8.00
(iv) for the year of income 1992 7.50
(v) for the year of income 1993 up to and including the year of income 1997 7.00
(vi) for the year of income 1998 up to and including the year of income 1999 6.50
(vii) for the year of income 2000 and each subsequent year of income 6.00
(viii) for the year of income 2020 and each subsequent year of income 5.00
(ix) for the year of income 2021 and each subsequent year of income 6.00

Provided that this provision shall apply to the income earned from the 1st January, 2021.

Provided that for a resident company with an accounting period ending between 1st July, 1994 and the 30th June, 1995 the corporation rate of tax shall be increased by one-half shilling in each twenty shillings.

(b) in the case of a non-resident company having a permanent establishment in Kenya-

<table>
<thead>
<tr>
<th>Rate in each twenty shillings</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) for the year of income 1974 and each subsequent year of income up to and including the year of income 1989 10.50</td>
</tr>
<tr>
<td>(ii) for the year of income 1990 10.00</td>
</tr>
<tr>
<td>(iii) for the year of income 1991 9.50</td>
</tr>
<tr>
<td>(iv) for the year of income 1992 9.00</td>
</tr>
<tr>
<td>(v) for the year of income 1993 up to and including the year of income 1997 8.50</td>
</tr>
<tr>
<td>(vi) for the year of income 1998 up to and including 1999 8.00</td>
</tr>
<tr>
<td>(vii) for the year of income 2000 and each subsequent year of income 7.50</td>
</tr>
</tbody>
</table>

Provided that for a non-resident company having a permanent establishment in Kenya with an accounting period ending between 1st July, 1994 and 30th June,
1995 the corporation rate of tax shall be increased by one-half shilling in each twenty shillings.

(c) Deleted by No. 2 of 2020 Sch.

(d) Deleted by No. 2 of 2020 Sch.

(e) Deleted by No. 2 of 2020 Sch.

(f) an export processing zone enterprise which does not engage in any commercial activities shall be exempted from paying any corporation tax for a period of ten years commencing with the year in which production, sales or receipts relating to the activities for which that enterprise has been licensed as an export processing zone enterprise commence; but the corporation rate of tax will be twenty-five per cent for the period of ten years commencing immediately thereafter.

Provided that for the purposes of this subparagraph, “commercial activities” includes trading in, breaking bulk, grading, repacking, or relabeling of goods and industrial raw materials

(g) (i) Deleted by No. 2 of 2020 Sch.

(ii) A gain on transfer of securities traded on any securities exchange licensed by the Capital Markets Authority is not chargeable to tax under section 3 (2) (f).

(h) in the case of a special economic zone enterprise whether the enterprise sells its products to markets within or outside Kenya, developer and operator, ten percent for the first ten years from date of first operation and thereafter fifteen percent for another ten years.

(i) in the case of a company that constructed at least one hundred residential units annually, fifteen per cent for that year of income, subject to approval by the Cabinet Secretary responsible for housing,

Provided that where a company is engaged in multiple activities which include the ones specified in subparagraph (i), the rate of fifteen per cent shall be applied proportionately to the extent of the turnover arising from the housing activity.

(j) in the case of company whose business is local assembling of motor vehicles, fifteen per cent for the first five years from the year of commencement of its operations”.

Provided that the rate of fifteen per cent shall be extended for a further period of five years if the company achieves a local content equivalent to fifty per cent of the ex-factory value of the motor vehicles.
3. The non-resident tax rates shall be-

(a) in respect of management or professional fees or training fee, twenty per cent of the gross sum payable;

Provided that—

i. the rate applicable to any payments made by Special Economic Zone Enterprise, Developer or Operator to a non-resident persons shall be 5% of the gross amount payable.

ii. the rate applicable to the citizen of the East African Community Partner States in respect of consultancy fee shall be fifteen per cent of the gross sum payable.

(b) in respect of a royalty or natural resource income, twenty per cent of the gross amount payable;

Provided that the rate applicable to any royalty paid by any Special Economic Zone Enterprise, Developer or Operator to a nonresident person shall be 5% of the gross amount payable.

(c) (i) in respect of a rent, premium or similar consideration for the use or occupation of immovable property, thirty per cent of the gross amount payable.

(ii) in respect of a rent, premium or similar consideration for the use of property other than immovable property, fifteen per cent of the gross amount payable

(d) in respect of a dividend, fifteen per cent of the amount payable;

Provided that the rate applicable to citizens of the East African Community Partner States in respect of dividends shall be five per cent of the gross sum payable

(e) (i) in respect of interest arising from a Government bearer bond of at least two years’ duration and interest and deemed interest, discount or original issue discount, fifteen percent of the gross sum payable;

(ii) in respect of interest, arising from a bearer instrument other than a
Government bearer bond of at least two years’ duration, twenty-five per cent of the gross amount payable;

(iii) in respect of interest paid by any Special Economic Zone Enterprise, Developer or Operator to non-resident persons, 5% of the gross amount payable.

(f) in respect of a pension or retirement annuity, five per cent of the gross amount payable;

(g) in respect of an appearance at, or performance in, a place (whether public or private) for the purpose of entertaining, instructing, taking part in a sporting event or otherwise diverting an audience, twenty per cent of the gross amount payable;

(h) in respect of an activity by way of supporting, assisting or arranging an appearance or performance mentioned in subparagraph (g), twenty per cent of the gross amount payable;

(i) in respect of winnings, twenty per cent.

(j) Deleted by 16 of 2014 s. 22;

(k) in respect of gains or profits from the business of a ship owner which is chargeable to tax under section 9(1) of the Act, two and a half percent of the gross amount received.

(l) in respect of gains and profits from the business of transmitting messages by cable or radio communication optical fibre, television broadcasting, Very Small Aperture Terminal (VSAT), internet and satellite or any other similar method of communication which is chargeable to tax under section 9(2) five per cent of the gross amount received.

(m) (Deleted by 38 of 2016, s.17)

(n) in the case of a special economic zones enterprise, developer and operator in respect of payments other than dividends made to non-residents at the rate of ten percent

(o) (Deleted by act No. 23 of 2019 S. 15(b)(ii))

(p) an insurance or reinsurance premium, five per cent of the gross amount payable;

(q) in the case of sales promotion, marketing, advertising services, and transportation of goods (excluding air and shipping transport services twenty percent of the gross amount;
Provided that with regard to transportation of goods, the rate shall not be applicable to East African Community citizens.

4. (Deleted by 8 of 1978, s.9.)

5. The resident withholding tax rates shall be –

(a) in respect of a dividend, ten per cent of the amount payable;

(b) in respect of interest, discount or original issue discount arising from –

(i) bearer instrument other than a Government bearer bond of at least two years’ duration, twenty-five percent;

(ii) Government Bearer Bond of at least two years’ duration and other sources, fifteen percent of the gross amount payable.

(iii) bearer bonds with a maturity of ten years and above, ten percent of the gross amount payable.

(c) in respect of a commission or fee, paid or credited by an insurance company to any person for the provision, whether directly or indirectly, of an insurance cover to any or group of persons, five percent of the gross amount payable to brokers, and ten percent of the gross amount payable to all others;

(d) (i) in respect of a payment of a pension or any withdrawal made after the expiry of fifteen years from the date of joining the fund, or on the attainment of the age of fifty years, or upon earlier retirement on the grounds of ill health or infirmity of body and mind, from a registered pension fund, registered provident fund, the National Social Security Fund or a registered individual retirement fund, in excess of the tax-free amounts specified under section 8(4) and 8(5) in any one year,

<table>
<thead>
<tr>
<th>Rate in each shilling</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the first Shs. 400,000</td>
</tr>
<tr>
<td>On the next Shs. 400,000</td>
</tr>
<tr>
<td>On the next Shs. 400,000</td>
</tr>
<tr>
<td>On the next Shs. 400,000</td>
</tr>
<tr>
<td>On all income above KSh. 1,600,000 of the amounts in excess of the tax-free amount.</td>
</tr>
</tbody>
</table>

Provided that the tax so deducted shall be final.
(ii) in respect of a withdrawal before the expiry of fifteen years from the date of joining the fund, made from a registered pension fund, registered provident fund, the National Social Security fund or a registered individual retirement fund in excess of the tax-free amounts specified under section 8(4) and 8(5) in any one year,

<table>
<thead>
<tr>
<th>Rate in each shilling</th>
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</thead>
<tbody>
<tr>
<td>On the first Shs.288,000</td>
</tr>
<tr>
<td>On the next Shs.100,000</td>
</tr>
<tr>
<td>On all income over Shs.388,000</td>
</tr>
</tbody>
</table>

(iii) in respect of surplus funds withdrawn by or refunded to an employer in respect of registered pension or registered provident funds, thirty percent of the gross sum payable.

(e) in respect of a qualifying dividend, five per cent of the amount payable,

(f) (i) in respect of management or professional fee or training fee, other than contractual fee; the aggregate value of which is twenty-four thousand shillings in a month or more, five per cent of the gross amount payable;

(ii) in respect of contractual fee the aggregate value of which is twenty-four thousand shillings in a month or more, three per cent of the gross amount payable.

(g) in respect of a royalty or natural resource income, five per cent of the gross amount payable; and

(h) in respect of qualifying interest;

(i) ten per cent of the gross amount payable in the case of housing bonds; and

(ii) twenty per cent of the gross amount payable in the case of bearer instruments; and

(iii) fifteen per cent of the gross amount payable in any other case.

(i) in respect of winnings, twenty percent.

Provided that the tax paid under this subparagraph is final.

(j) (Deleted by 38 of 2016, s.17)
(ja) in respect of a rent, premium or similar consideration for the use or occupation of immovable property, ten per cent of the gross amount payable.

(jb) in respect to the disbursement of deemed income to beneficiaries under section 11 (3) (c) the rate of twenty five percent.

(k) (Deleted by 14 of 2015 s.18.)

6. Deleted by 16 of 2014 s.22.

7. The rate of presumptive income tax in respect of agricultural produce under subsection (1) of section 17A shall be two per cent of the gross amount of payment or the gross value of export.

8. The rate of advance tax under section 12A shall be –

(a) for vans, pick-ups, trucks, prime movers, trailers and lorries; one thousand five hundred shillings per ton of load capacity per year or two thousand four hundred shillings per year, whichever is the higher;

Provided that advance tax shall not be imposed on the tractors or trailers used for agricultural purposes.

(b) for saloons, station-wagons, mini-buses, buses and coaches; sixty shillings per passenger capacity per month or two thousand four hundred shillings per year, whichever is the higher.

(c) deleted

9. The rate of turnover tax shall be one percent of the gross receipts of the business of a taxable person under section 12C.

10. The rate of tax in respect of residential rental income shall be ten percent of the gross rental receipts of a taxable resident person under section 6A.

11. The rate of tax in respect of minimum tax under section 12D shall be one per cent of the gross turnover.

12. The rate of tax in respect of digital service tax under section 12E shall be one point five per cent of the gross transaction value.

### FOURTH SCHEDULE (Sections 15 and 35)

#### FINANCIAL INSTITUTIONS

| Cap.488 | A bank or a financial institution licensed under the Banking Act. |
| Cap.487 | An insurance company licensed under the Insurance Act. |
| Cap.489 | A building society registered under the Building Societies Act. |
| Cap.117 | The National Housing Corporation established under the Housing Act |
| Cap.490 | A co-operative society registered under the Co-operative Societies Act. |
| Cap.323 | The Agricultural Finance Corporation established by the Agricultural Finance Corporation Act. |
| Cap.507 | A person licensed under Part VII of the Hire Purchase Act |

### FIFTH SCHEDULE (Section 2)

**SCHEDULED PROFESSIONS AND SCHEDULED QUALIFICATIONS**

<table>
<thead>
<tr>
<th>10 of 1988 s.37</th>
<th>Profession</th>
<th>Qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cap.253</td>
<td>1. Medical</td>
<td>Any person who is registered as a medical practitioner under the Medical Practitioners and Dentists Act.</td>
</tr>
<tr>
<td>Cap.253</td>
<td>2. Dental</td>
<td>Any person who is registered as a dentist under the Medical Practitioners and Dentists Act.</td>
</tr>
<tr>
<td>Cap.16</td>
<td>3. Legal</td>
<td>Any person who is an advocate within the meaning of the Advocates Act.</td>
</tr>
<tr>
<td>Cap.299</td>
<td>4. Surveyors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) land surveyor</td>
<td>Any person licensed as a surveyor under the Survey Act.</td>
</tr>
<tr>
<td></td>
<td>(b) surveyor</td>
<td>Any person who is a fellow or professional associate of the Royal Institution of Chartered Surveyors.</td>
</tr>
<tr>
<td>Cap.525</td>
<td>5. Architects or quantity surveyor</td>
<td>Any person who is registered as an architect or a quantity surveyor under the Architects and Quantity Surveyors Act.</td>
</tr>
<tr>
<td>Cap.366</td>
<td>6. Veterinary Surgeons</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Veterinary</td>
<td>Any person who is registered or licensed as a veterinary surgeon under the Surgeons Act.</td>
</tr>
<tr>
<td>Cap.530</td>
<td>7. Engineers</td>
<td>Any person who is registered under the Engineers Registration Act.</td>
</tr>
</tbody>
</table>
### SIXTH SCHEDULE (Section 133)

**TRANSITIONAL PROVISIONS**

1. For the purposes of the application of the Management Act under subsection (4) of section 133 of this Act -

   (a) references in the Management Act to the Authority shall be read as references to the Minister;

   (b) references in the Management Act to the Commissioner General and to other officers shall be read as references to the Commissioner and equivalent officers appointed under this Act;

   (c) the local committees and the tribunal appointed for Kenya under the Management Act shall continue in being for the purpose of that application;

   (d) rules made under the Management Act shall, to the extent that they refer to Kenya, continue to have full force and effect.

2. Legal proceedings commenced prior to 1st January, 1974, under the Management Act shall not be abated by reason only of the operation of subsection (2) of Section 133 of this Act, and where the Commissioner General was a party to those proceedings the Commissioner shall be substituted as a party in place of the Commissioner General.

3. (1) Subject to this Schedule, the continuity of the operation of the law relating to income tax shall not be affected by the substitution of this Act for the Management Act and accordingly -

   (a) so much of an enactment or document as refers, whether expressly or by implication, to or to things done or to be done under or for the purposes of a provision of this Act shall, if and so far as the nature of the subject matter of the enactment or document permits, be construed as including in relation to the times, years or periods, circumstances or purposes in relation to which the corresponding provision in the Management Act has or had effect, reference to, or, as the case may be, to things done or to be done under or for the purposes of, that corresponding provision;

   (b) so much of an enactment or document as refers, whether expressly or
by implication, to or to things done or to be done under or for the purposes of, any provision of the Management Act shall, if and so far as the nature of the subject matter of the enactment or document permits, be construed as including in relation to the times, years or periods, circumstances or purposes in relation to which the corresponding provision of this Act has effect, a reference to, or, as the case may be, to things done or deemed to be done or to be done under or for the purposes of, that corresponding provision.

(2) Reference in this paragraph to things done or to be done under a provision include in particular, and without prejudice to the generality of the references, references to charges to tax, deductions, personal allowances reliefs, repayments, assessments, notices, or returns made, granted, served or furnished, or to be made, granted, served or furnished, under that provision.

4. Where the ascertainment of the total income of a person for the year of income 1973 results in a deficit, the total income of that person for the year of income 1974 shall be computed as if section 13(4) of the Management Act continued to apply to that year of income.

5. Where a farmer has elected under section 16 of the Management Act not to take into account the values of livestock and produce at the beginning and end of each year of income for the purposes of ascertaining his income therefrom for each year of income, then that election shall be deemed to be an election made in accordance with section 17 of this Act.

6. Where, immediately prior to the commencement of this Act, there is for the purpose of the Second Schedule to the Management Act in relation to a person a residue of expenditure or expenditure still unallowed, then that residue of expenditure or expenditure still unallowed as the case may be, shall, in relation to that person, be the residue of expenditure or expenditure still unallowed, as the case may be, on the commencement of this Act for the purposes of the Second Schedule to this Act.

7. Where under this Act -

(a) a sum is deemed to be income of, or in respect of, a year of income prior to the commencement of this Act; or

(b) the Commissioner may divide an amount into the portions and a portion is taken into account in computing the gains or profits or in ascertaining total income for a year of income prior to the commencement of this Act,

then an assessment in relation thereto for that year of income may be made as if that sum or portion, as the case may be, had been income charged to tax under the Management Act.

8. Where under the Management Act the income of a beneficiary under a trust
or settlement has been charged to tax for a year of income on the basis of the amount receivable under that trust or settlement in that year of income, nothing in this Act shall operate to charge that beneficiary on income received after the commencement of this Act which has been charged on him under the Management Act.

9. Arrangements specified in notices issued under section 55 of the Management Act shall continue to have effect as if they had been made under section 41 of this Act.

10. Local committees and members thereof appointed for areas under section 97 of the Management Act shall continue to act according to the terms of the notices making those appointments as if those local committees and the members thereof had been established and appointed by notices under section 82 of this Act.

11. Where, after the commencement of this Act, a payment is made in respect of the refund or return of contributions made or premiums paid prior to the commencement of this Act, under an approved pension scheme, approved pension fund, approved annuity contract, approved trust scheme or approved provident fund mentioned in subsection (1), (2), (3) and (4) of section 8 of the Management Act, that payment shall in the manner and to the extent provided in those subsections, and in section 3(c), of the Management Act, be deemed to be income charged to tax under section 3(2)(e) of this Act:

Provided that –

(i) references in section 8(2) to "any year of income" shall be construed as meaning any year of income prior to the commencement of this Act; and

(ii) references in section 8(2) to “the year of income" and "the relevant year of income" shall be construed as references to the year ending 31st December, 1974; and

(iii) in section 8(2) the proviso thereto shall be read and construed as if the following words were deleted -

(a) "which expired earlier than the year of income (hereinafter referred to as the relevant year of income) prior to the year of income -

   (i) in which it was received; or

   (ii) in the case of a policy, in which the policy was assigned or transferred; or

   (iii) in which the employee left the service of the
employer; or

(iv) in which the person died, whichever is the earlier; and

(b) "in excess of one year of the period";

(iv) section 8(3) and (4) shall apply only in respect of contributions made, or in case of paragraph (a) of subsection (4) thereof in respect of a pension right accrued, prior to the commencement of this Act

SEVENTH SCHEDULE (Repealed by 8 of 1978, s.9)

EIGHT SCHEDULE
PART I - ACCRUAL AND COMPUTATION OF GAINS FROM PROPERTY OTHER THAN INVESTMENT SHARES TRANSFERRED BY INDIVIDUALS

13 of 1975, s.2, 7 of 1976, s.2, 8 of 1978, s.9, 6 of 1981, s.5, 14 of 1982 s23, 8 of 1985, s.18 Interpretation

1. (1) In this Part, unless the context otherwise requires –

"adjusted cost" has the meaning assigned thereto in paragraph 8;

"company" includes –

(a) a member's club deemed under section 21(1) to be carrying on a business;

(b) a trade association that elects under section 21(2) to be deemed to carry on a business;

"consideration" means consideration in money or money's worth;

"individual" includes more than one individual or an unincorporated association or body of individuals including trustees and partners;

"land" includes –

(a) buildings on land and anything attached to land or permanently fastened to anything attached to land (whether on or below the surface);

(b) standing timber, trees, crops and other vegetation growing on land; and

(c) land covered by water;

"marketable security" includes a security capable of being sold and stock as defined in section 2 of the Stamp Duty Act;
"property" –

(a) in the case of a company has the meaning assigned thereto in the Interpretation and General Provisions Act, and includes property acquired or held for investment purposes but does not include a road vehicle;

(b) in the case of an individual means –

(i) land situated in Kenya and any right or interest in or over that land, and

(ii) a marketable security situated in Kenya, other than an investment share as defined in Part II of this Schedule;

"transfer" has the meaning assigned thereto in paragraph 6;

"transfer value" has the meaning assigned thereto in paragraph 7.

(2) For the purpose of this Schedule -

(a) a reference to a transfer of property includes a reference to a part transfer of property; and

(b) there is a part transfer of property where, on a person making a transfer, any description of property derived from the transferred property remains undisposed of.

(3) For the purposes of this Schedule two persons are "related persons" if -

(a) either person participates directly or indirectly in the management, control or capital of the business of the other; or

(b) a third person participates directly or indirectly in the management, control or capital of the business of both.
(4) For the purposes of subparagraph (3) a reference to "person" includes -

(a) in the case of an individual, a reference to a relative (as defined in section 26(5)) of that person; and

(b) a reference to a company.

(5) For the purposes of this Schedule -

(a) shares or securities being marketable securities issued by a municipal or a Government authority, or by a body created by that authority, are situated in the country of that authority; and

(b) subject to paragraph (a), shares or securities (being marketable securities) are situated where they are registered and, if registered in more than one register, where the principal register is situated.

2. Subject to this Schedule, income in respect of which tax is chargeable under section 3(2)(f) is the whole of gain which accrues to a company or an individual on or after 1st January, 2015 on the transfer of property situated in Kenya, whether or not the property was acquired before 1st January, 2015.

3. (1) Income is not chargeable to tax under section 3(2)(f) where, and to the extent that, it is chargeable to tax under any other provision of this Act.

(2) The gain accruing to a company on any transfer of machinery classified in paragraph 1 (b) of the Second Schedule is not chargeable to tax under section 3(2)(f).

4. (1) The gain which accrues to a person on the transfer of property is the amount by which the transfer value of the property exceeds the adjusted cost of the property.

(2) Where, in computing the gain accruing to a person on the transfer of property, the adjusted cost of the property exceeds the transfer value of the property, the amount of the excess is the loss realized by the person on the transfer of the property.

(3) A gain or loss realized by a person on the transfer of property shall be deemed to be realized by the person at the time of the transfer, whether or not the consideration is payable by installments but a payment by way of interest on a part of the consideration not immediately payable shall not be treated as part of the transfer value of the property.

(4) Debts incurred on the transfer of property which the Commissioner considers to have become bad shall be deemed to be a loss for the purposes of section 15(3)(f) and those provisions shall apply accordingly.
(5) Section 15(2)(e) does not apply in relation to a loss realized by a Person on the transfer of property.

<table>
<thead>
<tr>
<th>Dealings by nominees, trustees and liquidators, and for the enforcement of securities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. (1) In relation to property held by a person as nominee for another person or as trustee for a person absolutely entitled as against the trustee (or for two or more persons who are so entitled in possession, whether as joint tenants or tenants in common), or as liquidator for a company, this Schedule shall apply as if the property were vested in, and the acts of the nominee, trustee or liquidator in relation to the property were the acts of the person or persons for whom the person is nominee, trustee or liquidator (transfers between the person or persons and the nominee, trustee or liquidator being disregarded accordingly).</td>
</tr>
<tr>
<td>(2) Where a person entitled to property by way of security or to the benefit of a charge or encumbrance on property, deals with the property for the purpose of enforcing or giving effect to the security, charge or encumbrance, his dealings with it shall be treated as if they were done through him as nominee by the person entitled to the property subject to the security, charge or encumbrance, and this subparagraph shall apply to the dealings of a person appointed to enforce or give effect to the security, charge or encumbrance as receiver and manager as it applies to the dealings of the person so entitled.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Meaning of transfer.</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. (1) Subject to this Schedule there is a transfer of property for the purposes of this Schedule –</td>
</tr>
<tr>
<td>(a) where property is sold, exchanged, conveyed or otherwise disposed of in any manner whatever (including by way of gift), whether or not for consideration; or</td>
</tr>
<tr>
<td>(b) on the occasion of the loss, destruction or extinction of property whether or not a sum by way of compensation or otherwise, or under a policy of insurance, is received in respect of the loss, destruction or extinction of the property unless that sum is utilized to reinstate the property in essentially the same form and in the same place within one year of the loss, destruction or extinction of the property or within a longer period of the time approved by the Commissioner; or</td>
</tr>
<tr>
<td>(c) on the abandonment, surrender, cancellation or forfeiture of, or the expiration of substantially all rights to, property, including the surrender of shares or debentures on the dissolution of a company.</td>
</tr>
<tr>
<td>(2) There is no transfer of property for the purposes of this Schedule -</td>
</tr>
<tr>
<td>(a) in the case of the transfer of property for the purpose only of securing a debt or a loan, or on a transfer by a creditor for the purpose only of returning property used as a security for a debt or a loan;</td>
</tr>
<tr>
<td>(b) in the case of the issuance by a company of its own shares or</td>
</tr>
</tbody>
</table>
debentures;

(c) by the vesting in the personal representative of a deceased person by operation of law of the property of that deceased person;

(d) by the transfer by a personal representative of property to a person as legatee in the course of the administration of the estate of a deceased person; and "legatee" includes a person taking under a devise or other testamentary disposition or an intestacy or partial intestacy whether her takes beneficially or as a trustee;

(e) by the vesting in the liquidator by an order of a court of the property of a company under section 240 of the Companies Act;

(f) by the vesting in the official receiver or other trustee in bankruptcy of the property of a bankrupt under section 57 of the Bankruptcy Act; or

(g) by the transfer by a trustee of property, which is shown to the satisfaction of the Commissioner to be subject to a trust, to a beneficiary on his becoming absolutely entitled thereto.

(h) by the transfer of assets-

   (i) between spouses;

   (ii) between former spouses as part of a divorce settlement or a *bona fide* separation agreement;

   (iii) to immediate family;

   (iv) to immediate family as part of a divorce or *bona fide* separation agreement; or

   (v) to a company where spouses or a spouse and immediate family hold 100% shareholding.

   (i) (Deleted by 14 of 2015 s.19).

(3) For the purposes of this paragraph, “immediate family” mean children of the spouses or former spouses.

7. (1) Subject to this Schedule, the transfer value of property shall be computed by reference to those of the following amounts (if any) as are appropriate having regard to the manner of the transfer, namely -

   (a) the amount of or the value of the consideration for the transfer of the property;
(b) sums received in return for the abandonment, forfeiture or surrender of the property;

(c) sums received as consideration for the use of exploitation of the property;

(d) sums received by way of compensation for damage or injury to the property or for the loss of the property;

(e) sums received under a policy of insurance in respect of damage or injury to, or the loss or destruction of, the property;

(f) an amount by which the liability of a person to another person entitled to property by way of security or to the benefit of a charge or encumbrance is reduced as a result of dealings with the property for the purposes of enforcing or giving effect to the security, charge or encumbrance, together with an amount received by the person out of the proceeds of those dealings.

(2) Subject to this Schedule, for the purpose of computing the transfer value of property there shall be deducted the incidental costs to the transferor of making the transfer.

(3) In the case where no amount is ascertainable under this Schedule as the transfer value of property the transfer value of the property shall be the market value as determined by the Commissioner.

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### Adjusted cost

8. (1) Subject to this Schedule, the adjusted cost of property is -

(a) the amount of or value of the consideration for the acquisition or construction of the property;

(b) the amount of expenditure wholly and exclusively incurred on the property at any time after its acquisition by or on behalf of the transferor for the purpose of enhancing or preserving the value of the property at the time of the transfer;

(c) the amount of expenditure wholly and exclusively incurred at any time after the acquisition of the property by the transferor establishing, preserving or defending the title to, or a right over, the property, and

(d) the incidental costs to the transferor of acquiring the property.

(2) For the purpose of computing the adjusted cost of property, an amount computed shall be reduced by such amounts as have been allowed as deduction under section 15(2).

(3) Where a company issues to its shareholders shares -
(a) that do not constitute a dividend under section 7(1)(d) or(e), the cost of
the shares -

(i) shall be the sum paid for the shares; or

(ii) if no sum is paid for the shares, shall be deemed to be nil,

and the shareholder shall allocate, in the manner prescribed, the cost of his existing
shares between the old shares and the new shares; or

(b) That constitute, wholly or partly, a dividend under either of those
paragraphs, the amount which constitutes a dividend shall be treated
as part of the cost of the shares, and the shareholder shall allocate, in
the manner prescribed, the cost of the existing shares between the old
shares and the new shares.

(4) Where there is a part transfer of property the adjusted cost of the property
shall be allocated to the part transferred in accordance with a method approved by the
Commissioner.

(5) The Commissioner may make rules for the purposes of
subparagraph (3) prescribing the manner of allocation to be prescribed under that
subparagraph.

8A. Notwithstanding any other provision of this Act, the deduction of costs of
property shall not apply in the case of securities listed on any securities exchange
approved under the Capital Markets Act.

9. (1) Where property is acquired or transferred -

(a) otherwise than by way of a bargain made at arms length;

(b) by way of a gift in whole or in part;

(c) for a consideration that cannot be valued; or

(d) as the result of a transaction between persons who are related, then, for
the purposes of –

(i) paragraph 7, the amount of the consideration for the transfer
of the property shall be deemed to be equal to the market
value of the property at the time of the transfer; and

(ii) paragraph 8, the amount of the consideration for the
acquisition of the property shall be deemed to be equal to
the market value of the property at the time of the
acquisition or to the amount of consideration used in
computing stamp duty payable on the transfer by which the
(2) Property is acquired or transferred by way of a bargain at arms length only if the consideration is determined as between an independent willing buyer and an independent willing seller.

(3) The Commissioner may determine the market value of property, and a reference in this paragraph to the market value of property is a reference to the price which the property would fetch if sold in the open market as so determined.

<table>
<thead>
<tr>
<th>Incidental costs.</th>
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<tbody>
<tr>
<td>10. For the purposes of paragraph 7(2) and 8(1)(d), the incidental costs of the acquisition or transfer of property shall consist of expenditure wholly and exclusively incurred by the person acquiring the property or the transferor for the purposes of the acquisition or transfer, as the case may be, of the property being -</td>
</tr>
<tr>
<td>(a) fees, commission or remuneration paid for the professional services of a surveyor, valuer, accountant, agent or legal adviser;</td>
</tr>
<tr>
<td>(b) costs of transfer (including stamp duty);</td>
</tr>
<tr>
<td>(c) in the case of an acquisition, the cost of acquisition (including mortgage costs) and the cost of advertising to find a seller, and costs reasonably incurred for the purposes of this Schedule in making a valuation or in ascertaining market value;</td>
</tr>
<tr>
<td>(d) in the case of a transfer, the cost of advertising to find a buyer and costs reasonably incurred for the purposes of this Schedule in making a valuation or in ascertaining market value; and</td>
</tr>
<tr>
<td>(e) any other costs which the Commissioner may allow as being just and reasonable.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts not allowable in computing transfer value or adjusted cost.</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. No amount shall be allowed -</td>
</tr>
<tr>
<td>(a) under paragraph 7(2) as part of the incidental costs of making a transfer; or</td>
</tr>
<tr>
<td>(b) under paragraph 8 as part of the adjusted cost of property, if that amount has been or is otherwise allowed as a deduction in computing gains or profits chargeable to tax under section 3(2)(a).</td>
</tr>
</tbody>
</table>

11A. The due date for tax payable in respect of property transferred under this Part shall be on or before the date of application for transfer of the property is made at the relevant Lands Office.

<table>
<thead>
<tr>
<th>Transfer or acquisition of property with other property.</th>
</tr>
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<tbody>
<tr>
<td>12. Where property is transferred or acquired together with other property in pursuance of one bargain, then, notwithstanding that separate prices are, or purport to be, agreed for separate items of that property, the Commissioner may determine what</td>
</tr>
</tbody>
</table>
part of the adjusted cost or the transfer value is reasonably attributable to each of the properties involved, which determination shall be binding on both the transferor and the transferee of the property.

**Exemption 23 of 2019 s. 16**

13. No gain or loss shall be included in the computation of income under section 3(2)(f) in the case of a transfer of property that is necessitated by a transaction involving the incorporation, recapitalization, acquisition, amalgamation, separation, dissolution or similar restructurings of a corporate entity, where such transfer is—

(a) a legal or regulatory requirement;

(b) as a result of a directive or compulsory acquisition by the government;

(c) an internal restructuring within a group which does not involve transfer of property to a third party; or

(d) in the public interest and approved by the Cabinet Secretary.

**PART II - ACCRUAL AND COMPUTATION OF GAINS FROM INVESTMENT SHARES**

**Interpretation**

14. In this Part of this Schedule –

"consideration" means consideration in money or money's worth;

"investment shares" means shares of companies, municipal or Government authorities or a body created by those authorities, that are listed and traded on the Nairobi Stock Exchange;

15. The gain subject to tax under this Part is the gross consideration payable and shall be subject to the withholding tax rate under paragraph (3) and (5) of the Third Schedule.

16. Deleted by 14 of 2015 s.19

16A. Deleted by 14 of 2015 s.19

17. Deleted by 14 of 2015 s.19

18. A stockbroker who conducts the transfer of investment shares on behalf of a transferor shall collect and remit tax to the Commissioner in accordance with section 35(5).

Provided that this paragraph shall also apply to shares transferred under Part I of this Schedule.

19. The remittance of money by a stockbroker under paragraph 18 shall be a full and final discharge to the stockbroker as against all persons from liability in
<table>
<thead>
<tr>
<th>Failure to collect and remit.</th>
<th>20. A stockbroker who fails to collect and remit as required under paragraph 18, the amount of income tax out of the proceeds (over which he has control) accruing as a result of the transfer of investment shares is jointly and severally liable with the transferor of the shares for payment of the tax.</th>
</tr>
</thead>
</table>
| Exemption | 21. (1) Where the transferor of investment shares is an unincorporated association or body of individuals of a public character which has been exempted from income tax under paragraph 10 of the First Schedule no deduction of income tax shall be made under this Part of this Schedule.  

(2) Gains from a transfer of investment shares for or in connection with a pension fund, trust scheme, or provident fund registered with the Commissioner shall not be subject to deduction of income tax under this Part of the Schedule. |
| PART III - Deleted by 16 of 2014 s.23 |

| 16 of 2014 s.24 | NINTH SCHEDULE  
NINTH SCHEDULE OF TAXATION EXTRACTIVE INDUSTRIES  
PART I – INTERPRETATION |
1. In this Schedule, unless the context otherwise requires —

“consideration”, in relation to the disposal of an interest in a person, a mining or petroleum right, or mining or petroleum information, means the total amount received or receivable for the disposal, including the fair market value of any amount in kind determined at the time of the disposal;

“contract area” means the area that is the subject of a petroleum agreement and, if any part of that area is relinquished pursuant to the agreement, contract area means the contract area that was originally granted;

“contractor” means a person with whom the Government has concluded a petroleum agreement and includes any successor or assignee of the person;

“cost”, in relation to an interest in a person, a mining or petroleum right, or mining or petroleum information, means the total consideration given for the acquisition of the interest, right, or information, including the fair market value of any amount given in kind determined at the time the amount is given;

“de-commissioning plan” means a plan for the de-commissioning, abandonment, relocating or removal and, if applicable, redeployment of wells, flowlines, pipelines, facilities, infrastructure and assets related to upstream petroleum operations;

“development expenditure” means capital expenditure incurred by a contractor when undertaking operations authorized under a development plan, other than social infrastructure or expenditure to which Part II of the Second Schedule applies, and includes expenditure whenever incurred in acquiring —

(a) an interest in a petroleum agreement other than an interest referred to in paragraph (a) of the definition of “exploration expenditure”; or

(b) petroleum information other than information referred to in paragraph (b) of the definition of “exploration expenditure”;

“development plan” means a development plan prepared and adopted under a petroleum agreement; “disposal”, in—

(a) relation to an interest in a person, a mining or petroleum right, or mining or petroleum information, means any change in the ownership of the interest, right, or information, including by way of sale, transfer, assignment, or exchange;

(b) the case of an interest in a person, includes the cancellation or redemption of the interest;

“exploration expenditure” means expenditure incurred by a contractor in undertaking exploration operations authorized under a petroleum agreement, other than
social infrastructure expenditure or expenditure to which Part II of the Second Schedule applies, and includes expenditure incurred in acquiring –

(a) an interest in a petroleum agreement from the Government or under a farm-out agreement; or

(b) petroleum information relating to exploration operations from the Government or under a farm-out agreement;

“exploration operations” means work authorised under a petroleum agreement in the search for petroleum prior to the approval of a development plan and includes –

(a) geological, geophysical, and geochemical surveys and analyses;

(b) aerial mapping;

(c) investigations of subsurface geology;

(d) stratigraphic tests;

(e) the drilling of wells to test a geological feature that has not already been determined to contain producible petroleum sufficient for commercial production; or

(f) any other work that is necessarily connected with activities described in paragraphs (a) to (e);

“extraction expenditure” means capital expenditure incurred by a licensee when undertaking operations authorized under an extraction right, other than social infrastructure expenditure or expenditure to which Part II of the Second Schedule applies, and includes expenditure whenever incurred in acquiring –

(a) an interest in a mining right other than an interest referred to in paragraph (a) of the definition of “prospecting expenditure”; or

(b) mining information other than information referred to in paragraph (b) of the definition of “prospecting expenditure”;
| Cap 306 | “minerals” has the meaning assigned to it in the Mining Act;  
|         | “mining information” means information relating to mining operations;  
|         | “mining operations” means authorized operations undertaken under a mining right;  
|         | “mining right” means a prospecting or extraction right;  
|         | “person” includes an individual, company, partnership, trust, government, or similar body or association; |

| Cap 308 | “petroleum agreement” has the meaning assigned to it in the Petroleum (Exploration and Production) Act;  
|         | “Petroleum (Exploration and Production) Act” means the Petroleum (Exploration and Production) Act, or any successor legislation dealing with the exploration, development, production, and transportation of petroleum;  
|         | “petroleum information” means information relating to petroleum operations;  
|         | “petroleum operations” means authorized operations undertaken under a petroleum agreement; |

| 14 of 2015 s.20 | “prospecting expenditure” means expenditure incurred in undertaking operations authorised under a prospecting right, other than social infrastructure expenditure or expenditure to which Part II of the Second Schedule applies, and includes expenditure incurred in acquiring –  
| 14 of 2015 s.20 | (a) an interest in a prospecting right from the Government or under a farm-out agreement; or  
| 14 of 2015 s.20 | (b) prospecting information from the Government or under a farm-out agreement; |
“prospecting information” means mining information relating to the search for minerals under a prospecting right;

“prospecting right” means any of the following –

(a) a right to prospect for minerals issued or granted under the Mining Act;

(b) an authority or right to search for geothermal resources issued or granted under the Geothermal Resources Act;

“social infrastructure expenditure” means capital expenditure incurred by a licensee or contractor on the construction of a public school, hospital, road, or any similar social infrastructure;

“subcontractor” means a person supplying services other than a person supplying services as an employee to –

(a) a licensee in respect of mining operations undertaken by the licensee; or

(b) contractor in respect of petroleum operations undertaken by the contractor;

“underlying ownership”, in relation to a person, means an interest in the person held directly, or indirectly through an interposed person or persons, by an individual or by a person not ultimately owned by the individuals.

(2) Unless the context otherwise requires, any term that is not defined in this Act but is defined in the Mining Act, Geothermal Resources Act or Petroleum (Exploration and Production) Act, has the meaning assigned in the Mining Act, Geothermal Resources Act or Petroleum (Exploration and Production) Act, as the case may be.

(3) Where more than one person has signed a petroleum agreement, each person shall be considered as a contractor for the purposes of this Schedule.

(4) In case of a deduction on social infrastructure expenditure, section 15(2)(x) Shall apply.

PART II - MINING OPERATIONS

2. (1) A licensee is subject to tax in accordance with this Act but subject to the modifications in this Schedule shall prevail.

(2) Where there is any inconsistency between this Schedule and any other
(3) The corporate rate specified under paragraph 2 of Head B of the Third Schedule shall be the rate of income tax applicable to a licensee that is a company.

<table>
<thead>
<tr>
<th>Limitation of deductions relating to mining operations</th>
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</table>
| 3. (1) Subject to subparagraph (5), a deduction for expenditure to the extent incurred by a licensee when undertaking mining operations in a licence area during a year of income shall only be allowed against the income derived by the licensee from the mining operations in the licence area during that year.

(2) If a licensee suffers a loss in respect of mining operations in a licence area for a year of income, the amount of the loss shall be carried forward and allowed as a deduction against the income of the licensee derived from mining operations in the licence area in the next following year of income of the licensee.

(3) The amount of a loss for a year of income that is not deducted under subparagraph (2) shall be carried forward by the licensee to the next following year of income and be deductible in that year in accordance with subparagraph (2), and so on until the loss is fully deducted or the mining operations in the licence area cease.

(4) If a licensee has carried forward a loss for a licence area under subparagraph (2) for more than one year of income, the loss of the earliest year of income shall be allowed as a deduction first.

(5) If –

(a) a licensee has ceased mining operations under a mining right in a licence area; and

(b) the licensee suffers a loss in relation to the mining operations under the mining right in the licence area for a year of income that has not been deducted under subparagraph (2),

the licensee may elect, by notice in writing to the Commissioner, to treat the loss as a loss under subparagraph (2) in relation to another licence area in which the licensee undertakes mining operations if the area covered by the second-mentioned licence area falls wholly within the area covered by the first-mentioned licence area.

(6) If –

(a) a licensee has ceased mining operations under a mining right in a licence area during a year of income and has a loss in relation to the mining operations under the mining right in the licence area for that year; and

(b) subparagraph (5) does not apply to the licensee in respect of the ceased mining operations, the licensee may elect, by notice in writing to the Commissioner, to treat the loss as a loss in relation
(7) The amount of a loss for a year of income that is not deducted under subparagraph (6) may be carried back for not more than three years of income from the year in which the loss arose.

(8) A licensee has a loss in relation to mining operations in a licence area for a year of income if the total deductions of a licensee in respect of mining operations undertaken by the licensee in the licence area during the year exceed the total amount of income derived from such operations in the area for the year.

### Prospecting expenditure

4. (1) A licensee shall be allowed a deduction for prospecting expenditure in the year of income in which the licensee incurred the expenditure.

(2) Subject to paragraph 13, if a licensee –

(a) disposes of an interest in a mining right or information the cost of which was deducted as prospecting expenditure under subparagraph (1); or

(b) otherwise recovers or recoups an amount deducted as prospecting expenditure under subparagraph (1), the consideration for the disposal, or the amount recovered or recouped, is income of the licensee charged to tax under section 3(2)(a)(i) in the year of income in which the interest is disposed of or the amount is otherwise recovered or recouped.

(3) The rate of depreciation for machinery first used to undertake operations under a prospecting right shall be the rate specified in paragraph 1(b)(x) of the Second Schedule.

### Extraction expenditure

5. (1) Subject to subparagraphs (2) and (3), a licensee shall be allowed a deduction for extraction expenditure in the year of income in which the licensee incurred the expenditure and in the following years of income until the expenditure has been fully deducted and the deduction for each year of income is twenty per cent of the amount of the expenditure.

(2) If a licensee incurs extraction expenditure before the commencement of commercial production, subparagraph (1) shall apply on the basis that the expenditure was incurred at the commencement of commercial production.

(3) The amount of the deduction allowed under subparagraph (1) for the year of income in which the commencement of commercial production occurs is computed according to the following formula -
A x B/C

where: -

A is the amount of the expenditure;

B is the number of days in the period beginning on the date of commencement of commercial production and ending on the last day of the year of income in which commercial production commenced; and

C is the number of days in the year of income in which commercial production commenced.

(4) The total deductions allowed to a licensee under this paragraph for extraction expenditure for the current year of income and all previous years of income shall not exceed the amount of the expenditure.

(5) Subject to paragraph 13, if a licensee disposes of an interest in a mining right or information the cost of which was deducted as extraction expenditure under subparagraph (1) during a year of income, no deduction shall be allowed for the extraction expenditure for that year and –

(a) if the consideration for the disposal exceeds the written down value of the interest or information at the time of disposal, the amount of the excess is income of the licensee charged to tax under section 3(2)(a)(i) in the year of income in which the disposal occurred; or

(b) if the written down value of the interest or information at the time of disposal exceeds the consideration for the disposal, the licensee shall be allowed a deduction for the amount of the excess in the year of income in which the disposal occurred

(6) Except where subparagraph (5) applies, if a licensee recovers or recoups an amount deducted as extraction expenditure under subparagraph (1), the amount recovered or recouped shall be income of the licensee charged to tax under section 3(2)(a)(i) in the year of income in which the amount is recovered or recouped.

(7) In this paragraph –

“commencement of commercial production” means the first period of thirty consecutive days during which the average level of production on the twenty five highest production days in the thirty-day period reaches such production level as may be determined by the Cabinet Secretary responsible for mining; and

“written down value”, in relation to an interest in a mining right or information of a licensee, means the cost of the right or information reduced by the deductions allowed to the licensee in respect of the right or information under this paragraph.
6. (1) A contribution made by a licensee to a rehabilitation fund in accordance with an approved rehabilitation plan relating the licensee’s mining operations shall be allowed as a deduction for the year of income in which the contribution was made.

(2) An expenditure incurred by a licensee in carrying out work required by an approved rehabilitation plan in respect of the licensee’s mining operations shall be allowed as a deduction for the year of income in which the expenditure is incurred:

Provided that the work is not paid for, directly or indirectly, from money made available out of the licensee’s rehabilitation fund for the licensee’s mining operations.

(3) An amount accumulated in or withdrawn from a rehabilitation fund to meet expenditure incurred under an approved plan and interest income and investment income in respect of a rehabilitation fund shall be exempt from tax.

(4) Subject to subparagraph (5), an amount withdrawn from a rehabilitation fund and returned to the licensee shall be considered as income of the licensee and shall be charged to tax under section 3(2)(a)(i) in the year of income in which the amount was returned to the licensee.

(5) Any surplus in a rehabilitation fund of a licensee at the time of completion of rehabilitation shall be considered as income of the licensee and shall be charged to tax under section 3(2)(a)(i) in the year of income in which rehabilitation is completed.

(6) In this paragraph—

“approved rehabilitation plan” means a plan for the rehabilitation of a mine site approved by the Cabinet Secretary responsible for mining; and

“rehabilitation fund” means a fund or account required to be established under a mining right to provide for the future payment of remedial work to the licence area covered by the mining right and is managed jointly by the Cabinet Secretary responsible for mining and the licensee.

PART III – PETROLEUM OPERATIONS

7. (1) A contractor is subject to tax in accordance with this Act but subject to the modifications in this Schedule.

(2) If there is any inconsistency between this Schedule and any other provision the Act, in relation to the taxation of a contractor, this Schedule shall prevail.

(3) The rate of income tax applicable to a contractor is—

(a) in the case of a resident company, thirty per cent; or
(b) in the case of a non-resident company, thirty seven and a half per cent.

| Limitation of deductions relating to petroleum operations | 8. (1) A deduction for expenditure to the extent incurred by a contractor in undertaking petroleum operations in a contract area during a year of income shall be allowed only against the income derived by the contractor from the petroleum operations in the contract area during the year.

(2) If a contractor suffers a loss in respect of petroleum operations in a contract area for a year of income, the amount of the loss shall be carried forward and allowed as a deduction against the income of the contractor derived from petroleum operations in the contract area in the next following year of income of the contractor.

(3) The amount of a loss for a year of income that is not deducted under subparagraph (2) shall be carried forward by the contractor to the next following year of income and be deductible in that year in accordance with subparagraph (2), and so on until the loss is fully deducted or the petroleum operations in the contract area cease.

(4) If a contractor suffers a loss carried forward for a contract area under subparagraph (2) for more than one year of income, the loss of the earliest year of income shall be allowed as a deduction first.

(5) If a contractor has ceased petroleum operations under a petroleum agreement in a contract area during a year of income and the contractor has a loss in relation to the petroleum operations under the petroleum agreement in the contract area for that year the contractor may elect, by notice in writing to the Commissioner, to treat the loss as a loss in relation to the petroleum operations undertaken by the contractor in the contract area in the previous year of income.

(6) The amount of a loss for a year of income that is not deducted under subparagraph (5) may be carried back for not more than three years of income from the year in which the loss arose.

(7) A contractor suffers a loss in relation to petroleum operations in a contract area for a year of income if the total deductions of a contractor in respect of petroleum operations undertaken by the contractor in the contract area during the year exceed the total amount of income derived from such operations in the area for the year.

| Exploration expenditure | 9. (1) A contractor shall be allowed a deduction for exploration expenditure in the year of income in which the contractor incurred the expenditure.

(2) Subject to paragraph 13, if a contractor –

(a) disposes of an interest in a petroleum agreement or information the cost of which was deducted as exploration expenditure under subparagraph
(1); or

(b) otherwise recovers or recoups an amount deducted as exploration expenditure under subparagraph (1),

the consideration for the disposal, or the amount recovered or recouped, shall be considered as income of the contractor and be charged to tax under section 3(2)(a)(i) in the year of income in which the interest is disposed of or the amount is otherwise recovered or recouped.

(3) The rate of depreciation for machinery first used to undertake exploration operations shall be the rate specified in paragraph 1(b)(xi) of the Second Schedule.

<table>
<thead>
<tr>
<th>Development expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>10.</strong> Subject to subparagraphs (2) and (3), a contractor shall be allowed a deduction for development expenditure in the year of income in which the contractor incurred the expenditure and in following years of income until the expenditure has been fully deducted and the deduction for each year of income shall be twenty per cent of the amount of the expenditure.</td>
</tr>
<tr>
<td>(2) If a contractor incurs development expenditure before the commencement of commercial production, subparagraph (1) shall apply on the basis that the expenditure was incurred at the time of commencement of commercial production.</td>
</tr>
<tr>
<td>(3) The amount of the deduction allowed under subparagraph(1)for the year of income in which commencement of commercial production occurs shall be computed according to the following formula:</td>
</tr>
<tr>
<td>[ A \times \frac{B}{C} ]</td>
</tr>
<tr>
<td>where—</td>
</tr>
<tr>
<td>( A ) is the amount of the expenditure;</td>
</tr>
<tr>
<td>( B ) is the number of days in the period beginning on the date of commencement of commercial production and ending on the last day of the year of income in which commercial production commenced; and</td>
</tr>
<tr>
<td>( C ) is the number of days in the year of income in which commercial production commenced.</td>
</tr>
<tr>
<td>(4)The total deductions allowed to a contractor under this paragraph for development expenditure for the current year of income and all previous years of income shall not exceed the amount of the expenditure.</td>
</tr>
<tr>
<td>(5) Subject to paragraph 15, if a contractor disposes of an interest in a petroleum agreement or information the cost of which was deducted as development</td>
</tr>
</tbody>
</table>
expenditure under subparagraph (1) during a year of income, no deduction shall be allowed for the development expenditure for that year and—

(a) the consideration for the disposal exceeds the written down value of the interest or information at the time of disposal, the amount of the excess shall be considered income of the contractor charged to tax under section 3(2)(a)(i) in the year of income in which the disposal occurred; or

(b) the written down value of the interest or information at the time of disposal exceeds the consideration for the disposal, the contractor shall be allowed a deduction for the amount of the excess in the year of income in which the disposal occurred.

(6) Except where subparagraph (5) applies, if a contractor recovers or recoups an amount deducted as development expenditure under subparagraph (1), the amount recovered or recouped shall be considered income of the contractor charged to tax under section 3(2)(a)(i) in the year of income in which the amount is recovered or recouped.

(7) In this paragraph—

“commencement of commercial production” means the first day of commercial production as determined under the petroleum agreement; and

“written down value”, in relation to an interest in a petroleum agreement or information of a contractor, means the acquisition cost of the interest or information reduced by the deductions allowed to the contractor in respect of the interest or information under this paragraph.

11. (1) A contractor shall be allowed a deduction for the amount that the contractor transfers to a escrow account during a year of income as required under an approved decommissioning plan for a contract area made under a petroleum agreement to finance expenditure expected to be incurred by the contractor in the abandonment and decommissioning of petroleum operations undertaken under the petroleum agreement.

(2) Subject to subparagraph (3), a contractor shall be allowed a deduction for expenditure incurred by the contractor under an approved decommissioning plan in the abandonment and decommissioning of petroleum operations in a contract area.

(3) A deduction shall not be allowed under subparagraph (2) for expenditure incurred in the abandonment and decommissioning of petroleum operations in a contract area if the expenditure is paid for, directly or indirectly, from money made available out of the escrow account established under the decommissioning plan for the contract area to finance such expenditure.

(4) An amount accumulated in an escrow account, or an amount withdrawn
from an escrow account to meet expenditure incurred under an approved decommissioning plan for a contract area, shall be exempt from tax.

(5) An amount withdrawn from the escrow account and returned to the contractor shall be considered income of the contractor charged to tax under section 3(2)(a)(i) in the year of income in which the amount was returned to the contractor.

(6) Any surplus in an escrow account established under an approved decommissioning plan for a contract area by a contractor at the time of completion of decommissioning of the contract area to which the account relates is included in the income of the contractor for the year of income in which decommissioning is completed.

(7) In this section –

“approved decommissioning plan” has the meaning assigned to it under the Petroleum (Exploration and Production) Act.

12. (1) This paragraph shall apply where the portion of profit oil and gas that the Government is entitled to take and receive under a petroleum agreement is inclusive of taxes payable by the contractor under this Act.

(2) For the avoidance of doubt, where this paragraph applies, the portion of profit oil and gas that the Government is entitled to take and receive under a petroleum agreement with a contractor shall be inclusive only of the taxes payable by the contractor under this Act directly in relation to the petroleum operations undertaken by the contractor and shall exclude –

(a) the tax payable on any gain made by the contractor or any other person on a disposal, directly or indirectly, of an interest in the petroleum agreement; or

(b) any tax that the contractor is liable under the Act to deduct from a payment made by the contractor

PART IV – COMMON RULES APPLICABLE TO MINING AND PETROLEUM OPERATIONS
13. (1) This paragraph shall apply where –

(a) a licensee or contractor has entered into an agreement (referred to as a “farm-out agreement”) with a person (referred to as the “transferee”) for the transfer of an interest in a mining right or petroleum agreement; and

(b) the consideration given by the transferee for the interest wholly or partly includes the transferee undertaking some or all of the work commitments of the licensee or contractor under the right or agreement.

(2) If this paragraph applies, and the transfer of the interest occurs at the time the farm-out agreement is entered into, the consideration received by the licensee or contractor for the interest shall not include the value of any work undertaken by the transferee on behalf of the licensee or contractor.

(3) If this paragraph applies and the transfer of the interest is deferred until the transferee completes some or all of the work commitments of the licensee or contractor under the mining right or petroleum agreement –

(a) any amount in money payable under the farm-out agreement before the transfer of the interest shall be included in the income of the contractor charged to tax under section 3(2)(a)(i) in the year of income in which the amount is payable; and

(b) the value of any work undertaken by the transferee on behalf of the licensee or contractor shall be excluded in –

(i) the consideration received by the licensee or contractor for the transfer of the interest; or

(ii) the income of the contractor charged to tax under this Act.

(4) If an interest referred to in subparagraph (3) is subsequently transferred, the consideration received by the licensee or contractor shall not include any amount included in the income of the licensee or contractor charged to tax under subparagraph (3)(a).

14. (1) A licensee or a contractor shall immediately notify the Commissioner, in writing, if there is a ten per cent or more change in the underlying ownership of a licensee or contractor.

(2) If the person disposing of the interest to which the notice under subparagraph (1) relates is a non-resident person, the licensee or contractor shall be liable, as agent of the non-resident person, for any tax payable under this Act by the non-resident person in respect of the disposal.
15. (1) Subject to subparagraph (3), a non-resident subcontractor who derives a fee for the provision of services (referred to in this paragraph as a “services fee”) to a licensee or contractor in respect of mining or petroleum operations shall be liable to pay non-resident withholding tax at the rate specified in subparagraph (2) on the gross amount of the services fee.

(2) The rate of withholding tax under subparagraph (1) is—

(a) for a service fee paid by a contractor, ten per cent; or

(b) for a service fee paid by a licensee, ten per cent.

(3) Subparagraph (1) shall not apply if the subcontractor provides the services giving rise to the fee through a permanent establishment in Kenya.

(4) A services fee to which subparagraph (3) applies shall be deemed to be income that accrued in or was derived from Kenya for the purposes of section 3 and be assessed to the subcontractor under section 44.

(5) A licensee or contractor paying a services fee to a non-resident subcontractor that is subject to non-resident withholding tax under subparagraph (1) shall deduct tax from the gross amount paid at the rate specified in subparagraph (2).

(6) A licensee or contractor to whom subparagraph (5) applies shall deduct the withholding tax at the earlier of—

(a) the time the licensee or contractor credits the services fee to the account of the non-resident subcontractor; or

(b) the time the fee is actually paid.

(7) Section 35(5) and (6) shall apply to non-resident withholding tax that a licensee or contractor is required to deduct under subparagraph (5) on the basis that the tax is tax deducted under section 35(1).

(8) Non-resident withholding tax imposed under subparagraph (1) shall be a final tax on the services fee and shall not be included in the calculation of the total income of the subcontractor.

(9) In this section, “non-resident subcontractor” means a subcontractor that is not a resident and includes a subcontractor that is a foreign government or foreign government body.

16. The rate of withholding tax to be deducted by a contractor under section 35(1) is—

(a) in the case of dividends, ten per cent of the gross amount of the dividend
payable;

(b) in the case of interest, fifteen per cent of the gross amount of the interest payable;

(c) in the case of royalties or a natural resource income twenty per cent of the gross amount of the royalty payable or natural resource income; or

(d) in the case of management, training or professional fees, ten per cent of the gross amount of the management or professional fee payable.

17. An amount that is by virtue of this Schedule charged to tax under section 3(2) (a) (i) shall be deemed to be income that accrued in or was derived from Kenya.

18. The provisions of section 16(2)(j) shall apply to a contractor or a licensee.

19. (1) Subject to subparagraph (2), hedging transactions entered into by a licensee or contractor shall be treated as a specified source of income for the purposes of section 15(7).

(2) Subparagraph (1) does not apply to an approved hedging transaction entered into by a licensee or contractor that has an annual turnover of less than ten million shillings as required to obtain project finance and approved by the Commissioner.

(3) In this paragraph,” hedging transaction” means a transaction entered into by a licensee or contractor to manage commodity price risk.

TENTH SCHEDULE (Section 17A)

AGRICULTURAL PRODUCE AND ITS AUTHORISED

<table>
<thead>
<tr>
<th>Produce</th>
<th>Authorized Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice (Paddy)</td>
<td>National Irrigation Board.</td>
</tr>
<tr>
<td>Product</td>
<td>Agency/Company Name</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Pyrethrum Flower Pyrethrum Board of Kenya (Wet and dry)</td>
<td>Pyrethrum Board of Kenya</td>
</tr>
<tr>
<td>Tea Leaf</td>
<td>Kenya Tea Development Authority. James Finlays P.L.C.</td>
</tr>
<tr>
<td></td>
<td>(Kibwari Tea Estate Limited)</td>
</tr>
<tr>
<td></td>
<td>Livingstone Registrars Limited. (Ngorongo Tea Factory Limited). African Highlands Produce Company</td>
</tr>
<tr>
<td>Coffee</td>
<td>Coffee Board of Kenya</td>
</tr>
<tr>
<td>Raw Cashewnuts</td>
<td>Kenya Cashewnuts Limited. National Cereals &amp; Produce Board</td>
</tr>
<tr>
<td>Pigs</td>
<td>Farmers Choice Limited. Uplands Bacon Factory Limited</td>
</tr>
<tr>
<td>Raw Cotton</td>
<td>Mwea Ginnery.</td>
</tr>
<tr>
<td></td>
<td>Kibos Ginnery.</td>
</tr>
<tr>
<td></td>
<td>Hola Ginnery.</td>
</tr>
<tr>
<td></td>
<td>Makueni Ginnery.</td>
</tr>
<tr>
<td></td>
<td>Meru Ginnery.</td>
</tr>
<tr>
<td></td>
<td>Salama Ginnery.</td>
</tr>
<tr>
<td></td>
<td>Malindi Ginnery.</td>
</tr>
<tr>
<td></td>
<td>Homa Bay Ginnery.</td>
</tr>
<tr>
<td></td>
<td>Kendu Bay Ginnery.</td>
</tr>
<tr>
<td></td>
<td>Nambale Ginnery.</td>
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<tr>
<td></td>
<td>Samia Ginnery.</td>
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<tr>
<td></td>
<td>Malakisi Ginnery.</td>
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<tr>
<td></td>
<td>Ndere Ginnery.</td>
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<tr>
<td></td>
<td>Lamu Ginnery.</td>
</tr>
<tr>
<td></td>
<td>Kitui Ginnery.</td>
</tr>
<tr>
<td>Hides and skins</td>
<td>Kamiti Tanners Limited.</td>
</tr>
<tr>
<td></td>
<td>Aziz Din Nabi Bux.</td>
</tr>
<tr>
<td></td>
<td>New Market Leather Factory Ltd.</td>
</tr>
<tr>
<td></td>
<td>Bulleys Tanneries Limited.</td>
</tr>
<tr>
<td></td>
<td>Nakuru Tanners Limited.</td>
</tr>
<tr>
<td></td>
<td>Nakuru Chrome Tanning Co. Limited.</td>
</tr>
<tr>
<td></td>
<td>Bata Shoe Co. Limited.</td>
</tr>
</tbody>
</table>

### ELEVENTH SCHEDULE

**TAXATION OF EXPORT PROCESSING ZONE ENTERPRISES**

| 10 of 1990 s.61 Cap.517 | 1. In this Schedule, unless the context otherwise requires, "export processing zone enterprise" has the same meaning as that ascribed to it in the Export Processing Zones Act, 1990. |
| 7 of 2002 s.48A 9 of 2007 s.30 | 2. An export processing zone enterprise shall maintain its business accounts in a convertible foreign currency of its choice provided that the Commissioner's consent of that choice has been requested and obtained. |
| 7 of 2002 s.48A 9 of 2007 s.30 | 3. During the period in which an export processing zone enterprise is exempt from corporation tax according to paragraph 2(f) of the third schedule - |
| 7 of 2002 s.48A 9 of 2007 s.30 | (a) the enterprise shall be deemed to be a non-resident subject to a non-resident rate of withholding tax on payments made to such an enterprise and, where such payments are made by a person who is not an export processing zone enterprise, the tax shall be final tax and |
| 7 of 2002 s.48A 9 of 2007 s.30 | (b) payments by an export processing zone enterprise to any person other than a resident person shall be deemed to be exempted from tax. |
| 15 of 2003 s.42 |

4. Notwithstanding that an export processing zone enterprise will be exempted from paying any corporation tax for the period specified in subparagraph 2(f) of the Third Schedule, the enterprise will nonetheless be required to comply with Part VIII of the Act and will submit an annual return of income under Section 52 or a return of income, together with a self-assessment of tax under section 52B and business accounts under Section 54 as is the case with all liable enterprises, and in the event of failure to submit a return or late submission of a return, the enterprise will be liable to a penalty of two thousand shillings per day for as long as the failure continues.

5. The penalty imposed under paragraph (4) shall, for the purposes of the provisions of the Act relating to the deduction and recovery of the tax, be deemed to be tax.
6. The employees and directors, other than non-residents, of an export processing zone enterprise shall be liable to personal income tax and the export processing zone enterprise employing them will be required to comply with rules and regulations concerning the deduction of tax from their employment income.

7. Where an export processing zone enterprise contracts out manufacturing services to a related resident company that is not an export processing zone enterprise, all income derived from the sale by the export processing zone enterprise of the goods produced shall be treated as the income of the related resident company, unless the Commissioner is satisfied that, the services provided to the export processing zone were paid for at a fair market price.

8. Where the related resident company that is not an export processing zone enterprise provides services other than manufacturing services to an export processing zone enterprise, the related resident company shall not deduct the cost of providing such services unless the Commissioner is satisfied that the services were provided at a fair market price.

9. For purposes of this Schedule, two companies are related when one company owns whether directly or indirectly twelve and one-half percent or more of the voting shares of the other company.

TWELFTH SCHEDULE

PROVISIONS RELATING TO INSTALMENT TAX

1. (a) Except as specified under paragraph (b), instalment tax payable by all persons under section 12 shall be reduced under the provisions of section 12(4) and be payable on the due dates as required under section 92 in the proportions specified as follows –

Proportions of the amount calculated under section 12 payable on or before the twentieth day of the following months in the accounting period of the current year of income:

<table>
<thead>
<tr>
<th>Accounting Periods Commencing On Or After</th>
<th>Fourth Month</th>
<th>Sixth Month</th>
<th>Ninth Month</th>
<th>Twelfth Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st January 1990</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st January 1991</td>
<td>30%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st January 1992</td>
<td>45%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st January 1993</td>
<td>60%</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st January 1994</td>
<td>15%</td>
<td>60%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>1st January 1995</td>
<td>30%</td>
<td>45%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>1st January 1996</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

(b) Where a person can satisfy the Commissioner that more than
two-thirds of his income is derived from agricultural, pastoral, horticultural or similar activities, the instalment tax payable by such persons under section 12 will be reduced under the provisions of section 12(4) and be payable on the due dates as required under section 92 in the proportions specified as follows:

Proportions of the amount calculated under section 12 payable on or before the twentieth day of the following months in the current year of income:

<table>
<thead>
<tr>
<th>For persons with accounting periods commencing on or after</th>
<th>Sixth Month</th>
<th>Ninth Month</th>
<th>Twelfth Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st January 1990</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st January 1991</td>
<td></td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>1st January 1992</td>
<td></td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>1st January 1993</td>
<td></td>
<td>60%</td>
<td>20%</td>
</tr>
<tr>
<td>1st January 1994</td>
<td></td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>1st January 1995</td>
<td></td>
<td>75%</td>
<td>25%</td>
</tr>
</tbody>
</table>

2. Where the instalment tax payable is calculated by reference to subsection 2(b) of Section 12 and -

(a) the company's immediate preceding year consists of less than three hundred and sixty five days, the tax payable for the preceding year will be deemed to be an amount that would have been assessed had the company's immediate preceding year been made up of three hundred and sixty five days by multiplying the ratio that three hundred and sixty five days is of the number of days in that year of income:

(b) the company that is making payment was formed as a result of amalgamation of two or more companies, the tax assessed and payable for the immediately preceding year will be deemed to be the aggregate of the tax that would have been payable by all the predecessor companies;

(c) the company that is making payment has had transferred to it during winding up in the year preceding the year of income all or substantially all the property from any of the companies which it controls by means of the holding of shares or possession of voting power, the company's tax payable in the preceding year will be deemed to be the aggregate of its own tax payable together with that of the company that it controls;

(d) the company making payment has had transferred to it by a related company in the preceding year of income all or substantially all of its property the company's tax payable in the preceding year of income
will be deemed to be the sum total of the tax payable by both the transferor and the transferee companies;

(e) the company making payment has commenced its business in that year of income, the company's preceding year of income will be deemed to be NIL;

(f) "tax assessed and payable for the preceding year" shall be taken to mean the amount payable immediately before the due date for the instalment tax and shall disregard any subsequent amendments and adjustments;

(g) where under this Act, a person has been permitted to make up the accounts of his business for a period greater than twelve months, the person shall calculate the instalment tax payable for such period in accordance with section 12 of this Act, and then multiply the result by the ratio of the number of days in the current year of income to 365 days.

3. The payment of instalment tax under section 12 shall be accompanied by the following information -

(a) a declaration of the choice of method adopted by the person in computing the instalment tax payable;

(b) where the tax is computed on the basis of an estimate of the current year of income, the total income of the person making the payment for that year of income including income deemed to be his under this Act which is chargeable to tax based on all information available to him at the date upon which the payment is made and which he believes to be true, and the tax chargeable on that income calculated by reference to the appropriate reliefs and rates of tax in force at the date of the payment;

(c) where the tax is computed on the basis of the preceding year assessment, the amount of tax assessed for the preceding year; and

(d) a declaration by the person making the payment or by the person in whose he is assessable that the instalment payment is a full and true estimate to the best of his knowledge and belief.

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THIRTEENTH SCHEDULE (s.132(6))

(Repealed by 38 of 2016, s.19)

SUBSIDIARY LEGISLATION

L.N.17/1975
L.N.269/1980

Declaration under definition of "permanent or semi-permanent crops" under
### DECLARATION OF CROPS

| L.N.66/2006     | Cashew nuts, citrus, cloves, coconuts, coffee, essential oils, New Zealand flax, passion fruit, pawpaws, pineapples, pyrethrum, sisal, wattle, sugar-cane, tea, rubber, vanilla, apples, pears, peaches, plums, apricots, cocoa, macadamia, cinchona and tara, are declared to be permanent or semi-permanent crops for the purposes of the Act with effect from 1st January 1974. Later additions – Jojoba plant and bananas Roses. Grape vines Avocados and Managoes. |
| L.N.19/1985     | |

### Declaration under definition of “specified mineral” under Section 2(1)

#### DECLARATION OF MINERALS

- Flourspar

### INCOME TAX EXEMPTIONS

(The following exemptions have been made; reference should be made to the appropriate legal notice for the text in any case)

<p>| L.N.157/1989  | Regional and Deputy Regional Directors of Christian Children’s Fund. |
| L.N.43/1975   | Non-Resident Income from licensees under the Oil Production Act. |
| L.N.44/1975   | |
| L.N.118/1975  | Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbH. |
| L.N.147/1975  | Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft) mbH. |
| L.N.149/1975  | Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit |</p>
<table>
<thead>
<tr>
<th>L.N.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>186/76</td>
<td>(Entwicklungsgesellschaft) mbH.</td>
</tr>
<tr>
<td>97/77</td>
<td>Commonwealth Development Corporation.</td>
</tr>
<tr>
<td>122/77</td>
<td>Manufacturers Hanover Export Finance Limited.</td>
</tr>
<tr>
<td>123/77</td>
<td>Morgan Grenfell and Company Limited.</td>
</tr>
<tr>
<td>124/77</td>
<td>United States Agency for International Development.</td>
</tr>
<tr>
<td>125/77</td>
<td>Federal Home Loan Bank of New York.</td>
</tr>
<tr>
<td>126/77</td>
<td>European Investment Bank.</td>
</tr>
<tr>
<td>147/77</td>
<td>Danish Turnkey Dairies Limited.</td>
</tr>
<tr>
<td>148/77</td>
<td>European Investment Bank.</td>
</tr>
<tr>
<td>272/77</td>
<td>European Investment Bank.</td>
</tr>
<tr>
<td>163/77</td>
<td>European Investment Bank.</td>
</tr>
<tr>
<td>13/78</td>
<td>Guinness Mahon and Company Limited.</td>
</tr>
<tr>
<td>14/78</td>
<td>European Investment Bank.</td>
</tr>
<tr>
<td>15/78</td>
<td>European Investment Bank.</td>
</tr>
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<td>35/78</td>
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**Notice under Section 35(7)**


**Notice under Section 41**

| E.A.C. L.N.253/1977 | Double Taxation Relief (Kenya/United Kingdom). |
| L.N.111/1987 | Double Taxation Relief (Kenya/Canada). |
| L.N.61/1989 | Double Taxation Relief (Kenya/India) |
| LN 140/2009 | Double Taxation (Kenya/France) |

**THE INCOME TAX (LOCAL COMMITTEES) RULES (Rules under Section 82)**

1. These Rules may be cited as the Income Tax (Local Committees) Rules.
2. In these Rules, unless the context otherwise requires -
   "appeal" means an appeal to a local committee under section 86 or section 89;
   "appellant" means a person entering an appeal and the advocate or duly authorized agent of that person;
"clerk" means the clerk of a local committee appointed pursuant to rule 3;

"memorandum" means a memorandum of appeal presented under rule 4;

"respondent" includes a person who under section 89(3)(c) or (d) is entitled to appear on an appeal as if he were a party thereto and the advocate or duly authorized agent of that person;

"section" means a section of the Act.

3.(1) The Commissioner shall appoint an officer of the Income Tax Department to be the clerk to a local committee; and the Commissioner may appoint one officer as clerk to two or more local committees.

(2) A clerk shall, in matters relating to appeals to the local committee and procedure therefor, comply with any general and special directions lawfully given by the chairman.

(3) A clerk shall by notice in the Gazette notify his address for the presentation or service of documents for the purpose of these Rules and shall in the same manner notify any change in that address.

4. An appeal shall be entered by presentation of a memorandum of Appeal to the clerk within fourteen days after the date on which the appellant gives notice of appeal in writing to the Commissioner pursuant to section 86(1); but where the local committee is satisfied that owing to absence from his normal place of residence, sickness or other reasonable cause the appellant was prevented from presenting a memorandum within that period and that there has been no unreasonable delay on his part, the local committee may extend that period.

5. A memorandum shall be signed by the appellant and shall set out concisely under distinct heads, numbered consecutively, the grounds of appeal without argument or narrative.

6. (1) A memorandum shall be accompanied by –

(a) a copy of the confirming notice, the amending notice or the notice of the decision of the Commissioner as the case may be:

(b) a copy of the notice of appeal;

(c) a statement, signed by the appellant, setting out the facts on which the appeal is based and referring to any documentary or other evidence which it is proposed to adduce at the hearing of the appeal; and

(d) deleted by L/N.53 of 2012.

(2) In this rule –

"amending notice" means a notice setting out an amendment to an
assessment served under section 85(3)(a);

"confirming notice" means a notice confirming an assessment served under section 85(3)(b);

"decision of the Commissioner" means a decision or act of the Commissioner, which, under section 89, may be the subject of an appeal.

7. Within forty-eight hours after the presentation of a memorandum to the clerk, a copy thereof and of the statement of facts of the appellant shall be served by the appellant upon the Commissioner and upon every other respondent.

7A. (1) The Commissioner shall, within thirty days of being served with a memorandum and statement of facts in accordance with rule 7 file a response, with the clerk, stating the facts upon which the response is based and specifying any documentary or to her evidence that he proposes to adduce at the hearing of the appeal.

(2) The Commissioner shall, upon filing a response in accordance with paragraph (1), serve a copy of the response together with copies of any documents annexed thereto, upon the appellant.

(3) Where a local committee is satisfied that, the Commissioner was for any reasonable ground, unable to file the statement of facts with the clerk within the prescribed period, the local committee may extend the time within which the Commissioner shall file a response.


9. (1) As soon as may be convenient after receipt by him of a memorandum the clerk shall notify the chairman thereof.

(2) The chairman shall, after the Commissioner has filed a statement of facts or has notified the clerk that he does not intend to do so, fix a time, date and place for a meeting of the local committee for the purpose of hearing the appeal and the clerk shall cause notice thereof to be served on the appellant, the Commissioner and every other respondent.

(3) Unless the parties to the appeal otherwise agree, each party shall be entitled to not less than seven days' notice of the time, date and place fixed for the hearing of the appeal.

10. At the hearing of an appeal, the following procedure shall be observed -

(a) the Commissioner and any other respondent shall be entitled to be present or to be represented;

(b) the appellant shall state the ground of his appeal and support it by relevant evidence, but save with the consent of the local committee and upon such terms as it may determine, the appellant may not at the hearing rely on a ground of appeal other than a ground stated in the memorandum and may not adduce evidence other than evidence previously adduced to the Commissioner;
(c) at the conclusion of the statement and evidence on behalf of the appellant, the Commissioner and any other respondent shall be entitled to make submissions, supported by relevant evidence;

(d) the appellant shall be entitled to reply but may not rely on a ground of appeal or on evidence other than that adduced at the hearing;

(e) the chairman or a member of the local committee may at any stage of the hearing ask any questions of the appellant or the Commissioner, or any other respondent, or a witness examined at the hearing, which he considers necessary to the determination of the appeal;

(f) a witness called and examined by a party may be cross-examined by another party to the appeal and if so cross-examined may be re-examined;

(g) a witness called and examined by the local committee may be cross-examined by a party to the appeal;

(h) the local committee may adjourn the hearing of the appeal for the production of further evidence or for other good cause, as it considers necessary and on such terms as it may determine;

(i) before the local committee considers its decision the parties to the appeal shall withdraw from the meeting, and the local committee shall deliberate the issue according to law;

(j) the decision of the local committee shall be determined by a majority of the members present and voting at the meeting, and in the case of an equality of votes the chairman shall have a casting vote in addition to his deliberative vote;

(k) minutes of the meeting shall be kept and the decision of the local committee recorded therein.

11. In matters of procedure not governed by these Rules or the Act, a Local committee may determine its own procedure.

12. Save where a local committee in a particular case otherwise directs or where a party to the appeal objects, copies of documents shall be admissible in evidence, but the local committee may at any time direct that the original shall be produced notwithstanding that a copy has already been admitted in evidence.

13. No fees shall be payable, and a local committee shall not make any order as to costs, on an appeal save where the grounds of appeal are held by the committee to be frivolous, in which case the committee may order the appellant to pay as costs to the Commissioner and each other respondent a sum not exceeding five hundred shillings.

THE INCOME TAX (TRIBUNAL) RULES (Section 83)
1. These Rules may be cited as the Income Tax (Tribunal) Rules.

2. In these Rules, unless the context otherwise requires –
   "appeal" means an appeal to the Tribunal under section 86(1)(a);
   "appellant" means a person entering an appeal and the advocate or duly authorized agent of that person;
   "chairman" means the chairman of Tribunal appointed under section 83(2);
   "clerk" means the clerk of the Tribunal appointed pursuant to rule 3;
   "memorandum" means a memorandum of appeal presented under rule 4;
   "section" means a section of the Act.

3. (1) The Commissioner shall appoint a person to be the clerk of the Tribunal, and that person may be an officer of the Income Tax Department.
   (2) The clerk shall, in matters relating to appeals to the Tribunal and procedure therefor, comply with general and special directions lawfully given by the chairman.
   (3) The clerk shall by notice in the Gazette notify his address for the presentation or service of documents for purposes of these Rules, and shall in the same manner notify any change in that address.

4. An appeal shall be entered by presentation of a memorandum of appeal, together with five copies thereof, to the clerk within fourteen days after the date on which the appellant gives notice of appeal in writing to the Commissioner pursuant to section 86(1); but where the Tribunal is satisfied that, owing to absence from his normal place of residence, sickness or other reasonable cause, the appellant was prevented from presenting a memorandum within that period, and that there has been no unreasonable delay on his part, the Tribunal may extend that period notwithstanding that the period has already expired.

5. A memorandum shall be signed by the appellant and shall set out concisely under distinct heads, numbered consecutively, the grounds of appeal without argument or narrative.

6. (1) Each copy of a memorandum shall be accompanied by -
   (a) a copy of the confirming notice or the amending notice as the case may be;
   (b) a copy of the notice of appeal; and
   (c) a statement, signed by the appellant,
setting out precisely all the facts on which the appeal is based referring specifically
to documentary or other evidence which it is proposed to adduce at the hearing of
the appeal, and to which shall be annexed a copy of each document or extract from a
document referred to upon which the appellant proposes to rely as evidence at the
hearing of the appeal.

(2) In this rule -

"amending notice" means a notice setting out an amendment to an
assessment served under section 85(3)(a);

"confirming notice" means a notice confirming an assessment served under
section 85(3)(b).

7. Within forty-eight hours after the presentation of a memorandum to
the clerk, a copy thereof and of the statement of facts of the appellant and the
documents annexed thereto shall be served by the appellant upon the
Commissioner.

8.(1) The Commissioner shall, if he does not accept any of the facts of
the appellant, within twenty-one days after service thereof upon him under rule 7,
file with the clerk a statement of facts together with five copies thereof and the
provisions of rule 6(1)(c) shall mutatis mutandis apply to that statement of facts.

(2) At the same time of filing a statement of facts pursuant to paragraph (1),
the Commissioner shall serve a copy thereof, together with copies of any documents
annexed thereto, upon the appellant.

(3) If the Commissioner does not desire to file a statement of facts Under
this rule, he shall forthwith give written notice to that effect to the clerk and to the
appellant, and in that case the Commissioner shall be deemed at the hearing of the
appeal to have accepted the facts set out in the statement of facts of the appellant.

9.(1) As soon as may be convenient after receipt by him of the
memorandum the clerk shall notify the chairman thereof.

(2) The chairman shall, after the Commissioner has filed a statement of
facts or has notified the clerk that he does not intend to do so, fix a time, date and
place for a meeting of the Tribunal for the purpose of hearing the appeal, and the
clerk shall cause notice thereof to be served on the appellant and the
Commissioner.

(3) The clerk shall cause to be supplied to each member of the
Tribunal a copy of the notice of hearing and of all documents received by him
from the parties to the appeal.
(4) Unless the parties to the appeal otherwise agree, each party shall be entitled to not less than seven days' notice of the time, date and place fixed for the hearing of the appeal.

10. At the hearing of an appeal, the following procedure shall be observed -

(a) the Commissioner shall be entitled to be present or to be represented;

(b) the appellant shall state the ground of his appeal and may support it by any relevant evidence, but, save with the consent of the Tribunal and upon such terms as it may determine, the appellant may not at the hearing rely on a ground of appeal other than a ground stated in the memorandum and may not adduce evidence of facts or documents unless those facts have been referred to in, and copies of those documents have been annexed to, the statement of facts to the appellant;

(c) at the conclusion of the statement, and evidence on behalf of the appellant, the Commissioner may make submissions, supported by relevant evidence, and the provisions of subparagraph (b) shall mutatis mutandis apply to evidence of facts and documents to be adduced by the Commissioner;

(d) the appellant shall be entitled to reply but may not raise a new issue or argument;

(e) the chairman or a member of the Tribunal may at any stage of the hearing ask any questions of the appellant or the Commissioner or a witness examined at the hearing, which he considers necessary to the determination of the appeal;

(f) a witness called and examined by either party may be cross-examined by the other party to the appeal and if so cross-examined may be re-examined;

(g) a witness called and examined by the Tribunal may be cross-examined by either party to the appeal;

(h) the Tribunal may adjourn the hearing of the appeal for the production of further evidence or for other good cause, as it considers necessary, on such terms as it may determine;

(i) before the Tribunal considers its decision the parties to the appeal shall withdraw from the meeting, and the Tribunal shall deliberate the issue according to law and reach its decision thereon;

(j) the decision of the Tribunal shall be determined by a majority of the members present and voting at the meeting, and in the case of an equality of votes the chairman shall have a casting vote in addition to his deliberative vote;
(k) minutes of the meeting shall be kept and the decision of the Tribunal recorded therein.

11. In matters of procedure not governed by these Rules or the Act, The Tribunal may determine its own procedure.

12. Save where the Tribunal in any particular case otherwise directs or where a party to the appeal objects, copies of documents shall be admissible in evidence, but the Tribunal may at any time direct that the original shall be produced notwithstanding that a copy has already been admitted in evidence.

13. No fees shall be payable, and a Tribunal shall not make any order as to costs, on an appeal save where the grounds of appeal are held by the Tribunal to be frivolous, in which case the Tribunal may order the appellant to pay as costs to the Commissioner a sum not exceeding five hundred shillings.

THE INCOME TAX (APPEALS TO THE HIGH COURT) RULES (section 91)

1. These Rules may be cited as the Income Tax (Appeals to the High Court) Rules.

2. In these Rules, unless the context otherwise requires –

"address for service" means a place of residence or a place of business within the jurisdiction;

"appeal" means an appeal to the Court under section 86(2); "memorandum" means a memorandum of appeal presented under rule 3; "Registrar" means the Registrar or a Deputy Registrar of the Court; "respondent" includes a person who under section 89(3) is entitled to appear before a committee;

"section" means a section of the Act.

3. No appeal shall be filed unless a memorandum of appeal is presented to the Registrar during office hours, and a copy served upon the respondent, within 30 days after the date of service upon the respondent of a notice of appeal under section 86(2); but where the Court is satisfied that, owing to absence from Kenya, sickness, or other reasonable cause, the appellant was prevented from presenting the memorandum of appeal within that period and that there has been no unreasonable delay on his part, the Court may extend that period.

4. A memorandum shall contain an address for service, shall be signed by the appellant or his advocate and shall set out concisely under distinct heads, numbered consecutively, the grounds of appeal without argument or narrative.

5. A memorandum shall be accompanied by -

(a) a copy of the decision or the notice of the decision appealed against;
(b) a copy of the notice of appeal served on the respondent; and

(c) a statement, signed by the appellant or his advocate, setting out the facts upon which the appeal is based, and respectively specifying and referring to documentary or other evidence which it is proposed to adduce at the hearing of the appeal.

6.(1) After the memorandum and the documents referred to in rule 5 have been presented, and all filing and service fees due in relation thereto have been paid, the Registrar shall cause the date of presentation to be date-stamped thereon, and the appeal shall be numbered and entered (as an Income Tax Appeal) in the register of appeals, in accordance with rule 8(1) of Order XLI of the Civil Procedure Rules.

(2) After entry of an appeal in the register of appeals as provided in paragraph (1), the Registrar shall ensure that, in respect of all documents relating to the appeal, the words "Income Tax Appeal" and the number of that appeal are included in the title of the appeal wherever the title occurs.

(3) The date on which the memorandum is presented is the date of filing of the appeal notwithstanding any dispute as to the amount of any service fee payable.

6A. An appeal shall abate in any case where any filing and service fees due in relation to that case have not been paid in full within fourteen days of the appellant having been notified of the total amount of the fees payable by him, and where an appellant is so notified by post he shall be deemed, until the contrary is proved, to have received notification at the time at which the letter would be delivered in the ordinary course of post.

7. A copy of the memorandum of appeal and the documents referred to in rule 5 shall be served by the Registrar upon the respondent upon payment of the prescribed fee for service thereof, but in a case referred to in section 89(3)(c) service shall be made by the appellant.

8. The respondent shall, if he intends to contest the appeal, present to the Registrar, during office hours and within thirty days of the service upon him of the copy of memorandum and the documents referred to in rule 5, a statement in duplicate each signed by him, giving an address for service, setting out the facts on which he relies, and respectively specifying and referring to documentary or other evidence which he proposes to adduce at the hearing of the appeal, and a copy of the statement shall be served by the Registrar upon the appellant upon payment of the prescribed fee for service thereof.

9. Unless the parties otherwise agree, the Registrar shall give fifteen clear days' notice in writing to the parties of the date and place fixed for the hearing of the appeal.
10. (1) On the day at the time fixed, or on any other day to which the hearing may be adjourned, the appellant shall be heard in support of the appeal.

(2) The Court shall, if it does not dismiss the appeal at once, hear the respondent and the appellant shall be entitled to reply.

11. (1) Where on the day fixed, or on any other day to which the hearing may be adjourned, the appellant does not appear when the appeal is called on for hearing, the Court may, subject to section 87(2)(a), make an order that the appeal be dismissed.

(2) Where the appellant appears and the respondent does not appear, the Court may proceed to hear the appeal ex parte.

12. Where an appeal is dismissed under rule 11 the appellant may apply to the Court to which the appeal is preferred for the readmission of the appeal, and, where it is proved that he was prevented by any sufficient cause from appearing when the appeal was called on for hearing, the Court shall readmit the appeal on such terms as to costs or otherwise as it thinks fit.

13. Where an appeal is heard ex parte and judgement is pronounced against the respondent, he may apply to the Court to which the appeal is preferred to rehear the appeal; and if he satisfies the Court that the memorandum of appeal and the documents referred to in rule 5 were not duly served, or that he was prevented by sufficient cause from appearing when the appeal was called on for hearing, the Court shall rehear the appeal on such terms as to costs or otherwise as it thinks fit to impose upon him.

14. The appellant shall not, except by leave of the Court and upon such terms as the Court may determine, rely on a ground other than a ground stated in the memorandum of appeal.

15. Should it appear to the Court at the hearing of the appeal that documentary or oral evidence other than that referred to in the statement of facts of the appellant or respondent should be admitted, the Court may admit that evidence.

16. Subject to section 121 and save where the Court in a particular case otherwise directs or where a party to the appeal objects, copies of documents shall be admissible in evidence, but the Court may at any time direct that the original shall be produced notwithstanding that a copy has already been admitted in evidence.

17. (1) Ancillary applications to a judge, if not made at the hearing, shall be made by summons entitled in the matter of the appeal, supported by affidavit.

(2) If no appeal is pending, the summons shall be entitled in the matter of the
Execution of decree where tax payable not set out therein.

18. Where a decree following the decision of the Court does not specify the amount of tax payable under the assessment as determined by the Court then, for the purposes of the execution of that decree, the Commissioner shall -

(a) where the decision of the Court results in an amendment to the assessment, file with the Registrar a copy, certified by him, of a notice served under section 87(2)(f) on the person assessed; or

(b) where the decision does not result in an amendment to the assessment, file with the Registrar a statement signed by him setting out the amount of tax payable under the notice of assessment served under section 78 or the amending notice, as the case may be,

and thereupon that decree shall have effect as if it were a decree for the payment of the amount of tax set out in the notice or statement, as the case may be.

Fees.

19. A filing fee of one hundred shillings shall be payable on presentation of an appeal under these Rules, and the scale of fees for the time being in force in civil matters in the Court shall apply in respect of the service of all documents, and to all subsequent acts, applications or proceedings, in relation to the appeal.

Extent to which rules on civil procedure apply.

20. The rules determining procedure in civil suits before the Court in so far as those rules relate to recognized agents and advocates, to service, to consolidation, to admissions, to the production, impounding and return of documents, to the summoning and attendance of witnesses, to adjournments, to the examination of witnesses, to affidavits, to judgement and decree, to the execution of decrees, to the attachment of debts, to the death, bankruptcy and marriage of parties, to withdrawal, discontinuance and adjustment, to security for costs, to commissions, to corporations, to trustees, executors and administrators, and to the enlargement of time shall, to the extent to which those rules are not inconsistent with the Act or these Rules, apply to an appeal as if it were a civil suit but, save as provided in these Rules, the procedure relating to civil suits before the Court shall not apply to an appeal.

THE INCOME TAX (PAYE) RULES (section 130)

1. These Rules may be cited as the Income Tax (PAYE) Rules.

2.(1) In these Rules, unless the context otherwise requires -

"relief claim form" means the relief claim form provided, or in a particular case authorized, by the Commissioner on which an employee claims the reliefs to which he is entitled under Part V of the Act;
"Commissioner" includes an officer authorized in writing by the Commissioner to exercise and perform functions conferred upon the Commissioner under these Rules;

"emoluments" means –

(a) gains or profits from employment or services rendered which are payable in money; and

(b) the value of housing provided by an employer ascertained under section 5(3) of the Act; and

(c) the value of benefit or facility provided by the employer, where the total value exceeds three thousand shillings per month; and

(d) deleted

but does not include gains or profits which, in the opinion of the Commissioner, are in respect of casual employment only;

"employee" includes an individual receiving emoluments in respect of any employment, office, appointment or past employment;

"monthly pay" means, in relation to a month, the emoluments receivable by an employee during that month, calculated in accordance with the Act and these Rules;

"monthly personal relief", in relation to a month, means that amount of personal relief to which an employee is entitled in that month in accordance with the relief claim form which he has completed together with any other amount for that month notified to the employer by the Commissioner, and unused monthly personal relief, from a previous month or months in the same year of income;

"monthly personal relief notification" means a notification provided by the Commissioner to the employer with respect to monthly personal relief of the employee;

"tax deduction card" means the tax deduction card in the form provided by the Commissioner, or such other document corresponding to a tax deduction card as may be authorized by the Commissioner in a particular case, and on which the information that the Commissioner may direct with respect to tax is recorded;

"tax tables" means the tables of income tax computed by the Commissioner in accordance with the rates of income tax specified in the Act for a year of income;

"unused personal relief", in relation to a month or months in the same year of income, means that amount of monthly personal relief as is in excess of the tax payable under these Rules in that month or months.
(2) Nothing in these Rules shall apply to an employer none of whose employees receive emoluments exceeding three thousand six hundred shillings per annum or such greater sum as the Commissioner may, by notice in the Gazette, specify.

3. Section 128 of the Act shall apply to a notice or other document which is authorized or required to be given, served or issued by the Commissioner under these Rules.

4. (1) An employer who makes a payment of, or on account of, emoluments during a month to an employee of his who is liable to payment of tax shall deduct tax from those emoluments in accordance with these Rules.

(2) An employer who fails to comply with the requirement of paragraph (1) shall be guilty of an offence.

5. An employer shall in each month calculate, by reference to the tax tables, the tax due from each of his employees in that month having regard to the monthly personal relief of that employee:

Provided that an employee shall be entitled to a relief from only one employer.

6. (1) On the occasion of the last payment of emoluments in a month to an employee, the employer shall, except where these Rules otherwise provide, ascertain, in respect of that month, the monthly pay of the employee, the monthly tax chargeable thereon, and the monthly personal relief of the employee.

(2) If, in the case of an employee, the tax chargeable for a month exceeds his monthly personal relief, the employer shall deduct the amount of that excess from the last payment of emoluments in that month, but if the tax chargeable in a month is greater than the last payment of emoluments to the employee in that month, the employer shall deduct the amount of tax which is not recoverable from that payment from the first payment of emoluments in the following month and from any subsequent payments as may be necessary to recover that amount.

(3) The employer shall, on the tax deduction card, record for every month in which a payment of emoluments is made to an employee, such particulars as the Commissioner may direct in respect of that payment.

(4) An employer who fails to comply with paragraph (2) or (3) shall be guilty of an offence.

7. On the occasion of the last payment of emoluments in a month to an employee, the employer shall in writing notify the employee of the total amount of the emoluments paid by the employer to the employee during that month, the total tax deducted from those emoluments and such other particulars as the Commissioner may require.
8. (1) If an employee is aggrieved by a calculation with respect to the
deduction of tax from his emoluments and is unable to reach agreement with his
employer, then –

(a) the employer shall inform the employee of his rights under this rule
and shall, at the request of the employee, furnish the employee with a written
statement showing the manner in which the employer arrived at that calculation;

(b) the employee may give notice of objection in writing to the
Commissioner, but that notice shall be valid only if –

(i) it states precisely the grounds of his objection;

(ii) there is enclosed therewith the written statement furnished by his
employer; and

(iii) it is received by the Commissioner within thirty days of the date on
which that statement was received by the employee.

(2) On receipt of a notice of objection under this rule the Commissioner shall
consider the objection and, subject to and in accordance with these Rules, may
amend the calculation or reject the objection.

(3) The Commissioner shall forthwith notify the employer and the employee
in writing of his decision on an objection and thereafter on the occasion of
payment to that employee in any month of, or on account of, emoluments the
amount of tax deducted therefrom by the employer shall be in accordance with that
decision.

(4) Notwithstanding that a valid objection has been made, on the occasion of
payment to the employee in any month of, or on account of, emoluments from which tax is to be deducted in accordance with these Rules, the amount of tax
deducted by the employer shall be in accordance with the calculation by the
employer until the employer is notified by the Commissioner of his decision with
respect to the objection.

(5) Where an amount of tax has been deducted in excess of the amount
payable by reason of a decision of the Commissioner under this rule, the
Commissioner shall refund that amount to the employee.

9. At the end of every month, an employer shall compile, in the manner that the
Commissioner may direct, a list which shall include the name of each
employee in his employment from whose emoluments tax was deducted during
that month together with the particulars of the amount of tax deducted and such
other particulars as the Commissioner may require.

9A. Before the 10th day of the month following the end of each quarter, an
employer shall render to the Commissioner a return of emoluments made to each
employee in each of the three months, the tax deducted and such other particulars
as the Commissioner may require.
Provided that an employer who furnishes the returns of emoluments on a monthly basis using information technology shall not be required to furnish quarterly returns under this paragraph.

10.(1) Before the tenth day following the end of every month or before any other day which may be notified to him by the Commissioner, an employer shall, subject to paragraph (2), pay, to such person as the Commissioner shall direct, all amounts of tax which the employer has deducted under these Rules during that month.

Provided that in the case of a director, the due date shall be before the tenth day following the end of the month in which payment was made to the director, or the fourth month after the accounting date, whichever is the earlier.

(2) Paragraph (1) shall not apply to an employer in respect of a month in which the total amount of tax deducted by him is less than one hundred shillings, and in that case, or where in a month no tax is deductible by an employer under these Rules, the employer shall send, before the tenth day following the end of that month or before any other day which may be notified to him by the Commissioner, to the Commissioner a certificate, in the form authorized or provided by the Commissioner showing either that the amount of tax which he deducted in that month was less than one hundred shillings or that he deducted no tax in that month:

Provided that when the amount of tax deducted by an employer in a month is less than one hundred shillings, that amount shall be added to the amount of tax deducted by him in the following month, or months, and when in a month the total of all those amounts is greater than one hundred shillings, the employer shall comply with paragraph (1), so however, that the employer shall comply with paragraph (1) in the month of December in each year notwithstanding that the total amounts of tax is less than one hundred shillings.

(3) A person to whom the Commissioner has, under paragraph (1), directed that an employer pay tax shall keep a record of payment in the form that the Commissioner may direct and shall enter therein particulars of tax which has been paid to him.

(4) An employer who, having deducted tax under this rule fails to account therefor in the manner that the Commissioner may direct, or who fails to comply with paragraph (2), shall be guilty of an offence.

11.(1) If, before the tenth day following the end of a month, or before a later day that may have been notified to him by the Commissioner, an employer has paid no tax under rule 10 for that month and the Commissioner is unaware of the amount, if any which the employer is liable to pay, or the employer has failed to provide the certificate mentioned in paragraph (2) of that rule, the Commissioner may give notice to the employer requiring him to render, within the time specified in the notice, a return showing the name of every employee to whom he made a
payment of emoluments in the period stated in the notice, together with those particulars with regard to each employee that the notice may require being particulars of –

(a) a calculation under rule 5 appropriate to the employee's case;

(b) the payments of emoluments made to the employee during that period; and

(c) any other matter affecting the calculation of the tax which the employer was liable under these Rules to deduct from the payments of emoluments to the employee during that period.

(2) The Commissioner shall ascertain and certify to the best of his knowledge and belief the amount of tax which the employer would have been liable to pay under rule 10 in respect of the month in question had he complied with the provisions of these Rules.

(3) The production of the return made by the employer under paragraph (1), and of the certificate of the Commissioner under paragraph (2), shall be sufficient evidence that the amount shown in the certificate is the amount of tax which the employer would have been liable to pay under rule 10 in respect of the month in question had he complied with the provisions of these Rules and a document purporting to be such a certificate shall be deemed to be such a certificate until the contrary is proved.

(4) Where a notice given by the Commissioner under paragraph (1) extends to two or more consecutive months, these Rules shall have effect as if those consecutive months were one month.

(5) If the Commissioner is not satisfied that the amount paid in respect of a month is the full amount which the employer would have been liable to pay under rule 10 had he complied with these Rules, he may notwithstanding that an amount of tax has been paid by the employer under that rule in respect of that month give a notice under paragraph (1) of this rule and thereupon this rule shall have effect monthly.

12. For purposes of the recovery of tax which an employer would have been liable to pay under rule 10 had he complied with the provisions of these Rules, that employer shall be deemed to have been appointed an agent of his employee under section 96 of the Act.

13. deleted by LN NO. 84 of 2010

(2) An employer who fails, within two months after the end of a year, to pay as the Commissioner has directed the tax deducted which he would have been liable to pay under rule 10 had he complied with the provisions of these Rules, shall be guilty of an offence.
(3) If an employer ceases to carry on business before the end of a year he shall carry out the requirements of this rule within one month of cessation.

14.(1) An employer, when called upon to do so by the Commissioner, shall produce, in English or any other language which the Commissioner may allow, for inspection, at the employer's premises or at any other place the Commissioner may require –

(a) all wages sheets, salary vouchers, and other books, documents and records whatever relating to the calculation or payment of the emoluments of his employees in respect of the years or months specified by the Commissioner, or to the deduction of tax by reference to those emoluments; or

(b) any of those wages sheets, salary vouchers and other books, documents and records which may be specified by the Commissioner.

(2) The Commissioner may, on the occasion of an inspection under this rule, prepare a certificate, by reference to the information obtained from the inspection, showing –

(a) the tax which it appears from the documents and records so produced that the employer would have been liable to pay under rule 10 for the years or months covered by the inspection had he complied with the provisions of these Rules;

(b) the tax which, to the best of his knowledge and belief, has not been paid as the Commissioner has directed.

(3) The production of the certificate mentioned in paragraph (2) shall be sufficient evidence that the employer is liable to pay, in respect of the years or months mentioned in the certificate, the amount shown therein pursuant to paragraph (2)(b), and a document purporting to be such a certificate shall be deemed to be such a certificate until the contrary is proved.

15. If an employer dies, anything which he would have been liable to do under these Rules shall be done by his personal representatives, or, in the case of an employer who paid emoluments on behalf of another person, by the person succeeding him, or if no person succeeds him, the person on whose behalf he paid those emoluments.

16. Where there has been a change in the employer from whom an employee receives emoluments in respect of the same employment, the employer after the change shall, in relation to a matter arising after the change, be liable to do anything which the employer before the change would have been liable to do under these Rules if the change had not taken place, but the employer after the change shall not be liable for payment of tax which was deductible from emoluments paid to the employee before the change took place.
17. A person guilty of an offence under these Rules shall be liable to a fine not exceeding ten thousand shillings or to imprisonment for a term not exceeding six months or to both.

THE INCOME TAX (DISTRAINT) RULES

1. These rules may be cited as the Income Tax (Distraint) rules.

2. In these Rules, unless the context otherwise requires –
   "distrainee" means the debtor named in an order;
   "distrain agent" means a person appointed as a distraint agent under rule 3;
   "distress" means a distress levied pursuant to an order;
   "distress debt" means the amount of tax, and interest charged thereon, specified in an order;
   "distrainor" means an officer in the service of the Income Tax Department who is authorized to levy distress;
   "goods" means movable property of a distrainee (other than growing crops and goods which are liable to perish within ten days of attachment) which is liable under the law to attachment and sale in execution of a decree of a court;
   "order" means an order issued by the Commissioner under section 102 of the Act.

3. The Commissioner may appoint distraint agents to assist distrainors in the execution of orders, but no person shall be appointed a distraint agent unless he satisfies the Commissioner -
   (a) that he is of good repute and financial standing;
   (b) that he is qualified under the law relating thereto to levy distress by way of attachment of movable property in execution of a decree of a court; and
   (c) that he has contracted a policy of insurance in an adequate sum against theft, damage or destruction by fire of goods which may be placed in his custody by reason of the performance by him of his duties as a distraint agent.

4.(1) A distraint agent shall, on appointment, furnish the Commissioner with security, by means of a deposit or in such other manner as the Commissioner may approve, in the sum of ten thousand shillings, and that security shall be refunded or cancelled on the termination of the appointment of the agent unless it is forfeited under this rule.

(2) If a distraint agent is convicted of an offence involving fraud or dishonesty in connection with the functions performed by him as an agent, the court by which
he is convicted may make an order as to the forfeiture of the security or part thereof furnished by him under paragraph (1), and the provisions of the Criminal Procedure Code, in so far as they relate to forfeiture of recognizances, shall apply mutatis mutandis to the forfeiture of security under this rule.

5. (1) An order may be executed at any time after it has been duly served on the distrainee in the manner provided by rule 6.

(2) An order shall be executed by attachment of such goods of the Distrainee as, in the opinion of the distrainor, are of a value which, on sale by public auction, would realize a sum sufficient to meet the distress debt and the costs and expenses of the distress incurred by the distrainor.

6. (1) An order shall be issued by the Commissioner in duplicate and service thereof shall be effected by service by the distrainor of a copy of the order on the distrainee in person or, if after using all due and reasonable diligence, the distrainee cannot be found, by service of a copy of an agent of the distrainee empowered to accept service, or an adult member of the family of the distrainee who is residing with him.

(2) A person served with a copy of an order under this rule shall endorse on the order an acknowledgement of service and if that person refuses to make endorsement the distrainor shall leave the copy of the order with that person after stating in writing thereon that the person upon whom he served the order refused to sign the acknowledgement and that he left, at the time, date and place stated therein, a copy of the order with that person and the name and address of the person (if any) by whom the person on whom the order was served was identified, and thereupon the order shall be deemed to have been duly served.

( 3) Deleted

7.(1) In executing distress the outer door of a dwelling-house shall not be broken open unless that dwelling-house is in the occupancy of the distrainee and he refuses or in any way prevents access thereto, but when the distrainor or distraint agent executing distress has duly gained access to a dwelling-house he may break open the door of any room in which he has reason to believe goods of the distrainee to be.

(2) Where a room in a dwelling-house is in the actual occupancy of a woman who, according to her religion or local custom does not appear in public, the distrainor shall give notice to that woman that she is at liberty to withdraw, and after allowing reasonable time for her to withdraw and giving her reasonable facility for withdrawing he may enter that room for the purpose of attaching goods therein, using at the same time every precaution consistent with these provisions to prevent their clandestine removal.

8. As soon as practicable after the attachment of goods under these Rules, the
distrainor or distraint agent shall -

(a) issue a receipt in respect thereof to the distrainee;

(b) forward to the Commissioner a report containing an inventory of all items attached, the value of each item as estimated by the distrainor or distraint agent, the address of the premises at which the goods are kept pending sale, the name and address of the distraint agent in whose custody the goods have been placed and the arrangements, if any, made or to be made for the sale by public auction of the goods on the expiration of ten days from the date of attachment.

9. On the sale by public auction of goods attached under these Rules the distrainor shall cause the sale to be stopped when the sale has realized a sum equal to or exceeding the distress debt and the costs and expenses incurred by the distrainor, and thereupon those goods remaining unsold shall at the cost of the distrainee be restored to the distrainee.

11. Immediately after the completion of sale by public auction of goods attached under these Rules, the distrainor shall make a return to the Commissioner specifying the items which have been sold, the amounts realized by the sale and the manner in which the proceeds of the sale were applied.

11.(1) Where a distraintee has, within ten days of attachment of his goods, under these Rules, paid or given security accepted by the Commissioner for the whole of the tax due from him together with the whole of the costs and expenses incurred by the distrainor in executing the distress, the distrainor shall at the cost of the distraintee forthwith restore the attached goods to the distraintee and return the order to the Commissioner who shall cancel it.

(2) A sum paid by a distraintee under this rule shall be applied by the Commissioner first in settlement of the costs and expenses incurred by the distrainor and as to the balance, if any, in settlement of the distress debt or such part thereof as the Commissioner shall direct.

12. Where goods attached under these Rules include livestock, the distrainor may make appropriate arrangements for the transport, safe custody and feeding of the livestock and any costs expenses incurred thereby shall be recoverable from the distraintee under rule 9 or 11, as the case may be, as costs and expenses incurred by the distrainor.

13. In addition to a claim for other costs and expenses which may be incurred by the Commissioner or the distrainor in levying distress under these Rules there may be claimed by the distrainor and recovered under rule 9 or 11, as the case may be, costs at the rate specified in the Schedule.

14. The maximum rates of remuneration which a distraint agent shall be entitled to demand from the distrainor for his assistance in executing a distress under these Rules, and which may be recovered by the distrainor under rule 9 or 11, as the case may be, shall be those specified in the Schedule.
15. The maximum rate of commission to be paid to an auctioneer by the distrainor as remuneration for his services for the sale by public auction of goods attached under these Rules, and which may be recovered by the distrainor under rule 9, shall be five per cent of the amount realized on the sale, and where an auctioneer has also rendered services as a distraint agent, he shall be entitled, in addition to a commission under this rule, to remuneration for those services as provided in rule 14.

16. The rates of remuneration specified in the Schedule shall be deemed to include all expenses of advertisements, inventories, catalogues, insurance and necessary charges for safeguarding goods attached under these Rules.

**SCHEDULE**

**RATES OF REMUNERATION**

1. **Distrainor’s Charges**

Where no distress is levied and distress debt and costs and expenses incurred by the distrainor are paid by the distrainee on demand or within thirty minutes thereafter the distrainee shall pay the distrainor the following costs –

<table>
<thead>
<tr>
<th>Description</th>
<th>Shs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Where distress debt does not exceed Shs 3,000</td>
<td>300</td>
</tr>
<tr>
<td>(b) Where the distress debt exceeds Shs 3,000</td>
<td>120</td>
</tr>
</tbody>
</table>

2. **Distrain Agent’s Charges**

(a) Where no distress is levied and the distress debt and costs and expenses incurred by the distrainor are paid by the distrainee on demand or within thirty minutes thereafter the distrant agent shall be entitled to a remuneration of 120

(b) For attaching goods or attaching and keeping possession thereof for ten days or part thereof, when the estimated value of the property, or the sum of the distress debt and costs and expenses, whichever is the less-

(i) does not exceed shs 30,000 Four percent thereof 30,000

(ii) exceeds shs 30,000 Three percent thereof

(c) Where the goods or part thereof are sold by public auction, the distrant agent's charges shall instead be calculated in the manner directed in paragraph (b) above by reference to the total amount realized on the sale after
deduction of the auctioneer's commission under rule 15.

(d) For keeping possession of any attached goods after the expiration of ten days from the date of attachment for each day, or part thereof ........................................... ¼ per cent of the value of the goods with a maximum of shs. 60

(e) reasonable expenses incurred by the distraint agent in transporting goods attached, and such traveling expenses by car, or a rateable proportion thereof, as the Commissioner may approve.

THE INCOME TAX (PRESCRIBED DWELLING-HOUSE) RULES

1. These Rules may be cited as the Income Tax (Prescribed Dwelling-House) Rules.

2. For the purposes of paragraph 5(1)(b) of the Second Schedule to the Act the conditions with which a dwelling-house shall conform in order to be a prescribed dwelling-house shall be that the dwelling-house is certified by a Labour Officer, as defined in section 2 of the Employment Act, as having been provided under section 9 of that Act.

THE INCOME TAX (REGISTERED UNIT TRUSTS/COLLECTIVE INVESTMENT SCHEMES) RULES, 2003

1. These Rules may be cited as the Income Tax (Registered Unit Trusts/Collective Investment Schemes) Rules, 2003

2. A unit trust or collective investment scheme shall, upon application being made under rule 3, be registered by the Commissioner for the purposes of Section 20 of the Act if he is satisfied that –

(a) the unit trust or collective investment scheme shall undertake portfolio investment in accordance with the policies and guidelines under the Capital Markets Act;

(b) the sole purpose of the unit trust or collective investment scheme is to carry on investments on behalf of the unit holders or shareholders;

(f) After six months of commencement of the unit trust or collective investment scheme no unit holder or shareholder shall own or be capable of holding more than twelve and one half per cent (12½%) of the units or shares in any one unit trust or collective investment scheme; and

(g) it will, within six months of its commencement and thereafter, maintain at
least twenty-five unit holders or shareholders.

3. (1) Application for the registration of a unit trust or collective investment scheme shall be made by the manager or trustee of the unit trust or collective investment scheme to the Commissioner in writing and shall be accompanied by two copies of the trust deed and a copy of the licence issued under Capital Markets Act,

(2) The Commissioner shall, as soon as practicable after considering the application, register the unit trust or collective investment scheme and notify the manager or trustee in writing the year of income in respect of which the registration is to take effect.

4. Where unit holders or shareholders in any unit trust or collective investment scheme are exempt persons under the First Schedule to the Act, the manager or trustee of the unit trust or collective investment scheme shall maintain separate but identifiable account of the funds of such persons.

5. The Income Tax (Registered Unit Trusts) Rules, 1990 are revoked.

THE INCOME TAX (RETIREMENT BENEFIT) RULES, 1994

1. These Rules may be cited as the Income Tax (Retirement Benefits) Rules, 1994 and shall come into operation on 17th June, 1994.

2. (1) In these Rules, unless the context otherwise requires –

"employee" means an employee participating in a registered scheme;

"employer" means a person carrying on a business wholly or partly in Kenya in connection with which a scheme is established;

"pension" includes a pension from employment and a retirement annuity;

"scheme regulations" means the regulations specifically governing the constitution and administration of a particular scheme;

"trustee" includes a person having the management or control of a fund or scheme.

3. Subject to these Rules, a pension fund, pension scheme or provident fund which was established in Kenya and approved for the purposes of the Management Act, or a trust scheme or annuity contract approved for the purposes of the Management Act, shall be deemed respectively to be a registered pension fund, registered pension scheme, registered provident fund, registered trust scheme and registered annuity contract for the purposes of the Act.
4. A pension fund to which rule 3 does not apply shall, upon application being made under rule 8, be registered by the Commissioner for the purposes of the Act if he is satisfied that it –

(a) is registered with the Retirement Benefits Authority; and

(b) provides that all moneys payable thereunder shall be paid in Kenya; and

(c) provides that no payment thereunder shall be made to the employer without the written consent of the Commissioner; and

(d) provides that in the case of a defined contribution pension fund where a surplus is identified by the audit required under subparagraph (j)(i), such surplus shall be allocated to the respective accounts of the members of the fund in lieu of new contributions by the employer in the year and subsequent years until the surplus is exhausted and such allocation of surplus shall be deemed to be contributions by the employer; and

(b) Deleted.

(f) provides that the payment of pension shall not commence –

(i) until the retirement of the employee from service with the employer on or after the employee attains the age of fifty years; or

(ii) except upon earlier retirement on account of infirmity of mind or body; and

(g) does not provide for the payment of sums on the death of an employee except a lump sum payable to the estate, or a lump sum or an annuity or both whether directly or indirectly payable to the widow or widower or dependants, of that employee; and

(h) does not provide for the payment of an annuity, to the widow or widower of an employee, other than annuity for a term certain or during the life of that widow or widower or during the minority of a dependant of that employee; and

(i) provides that all benefits derived from contributions made by an employee shall vest immediately in the employee; and

(j) provides that –

(i) in the case of a defined contribution pension fund, an audit shall be carried out once every year during which all assets shall be valued at their current market prices and all surplus funds not allocated to the account of a member of the fund identified;
(ii) in the case of a defined benefit pension fund, an actuarial investigation shall be carried out by an actuary at least once every three years beginning from 1st January, 1995 during which any actuarial deficiency or surplus in the fund shall be determined;

(iii) the audited accounts or the actuarial report as the case may be, shall be sent to the Commissioner of Income Tax, the Commissioner of Insurance and all members of the fund shall be notified of the availability of the audited accounts or actuarial report for scrutiny at the offices of the fund manager not later than thirty days from the date of the completion of the audit, or report; and;

(ii) any surplus funds identified shall appropriately be allocated to the respective accounts of the members, and upon the fund being wound up, the surplus funds shall be deemed to be the funds of the employer, unless the trust deed of such scheme specifies otherwise, and shall be required to be withdrawn and charged to tax in the hands of the employer.

(k) provides that, in the case of a defined contribution pension fund that maintains a reserve fund, a beneficiary shall receive a share of the reserve fund upon being awarded benefits in respect of retirement, disability or death, as the case may be, in proportion to the value that the funds allocated to the account of the beneficiary bears to the value of the funds allocated to the accounts of all beneficiaries of the fund at that time.

5. A provident fund to which rule 3 does not apply shall, upon application being made under rule 8, be registered by the Commissioner for purposes of the Act if he is satisfied that it -

(a) is registered with the Retirement Benefits Authority; and

(b) provides that all sums payable thereunder shall be paid in Kenya; and

(c) provides that no payment thereunder shall be made to the employer without the written consent of the Commissioner; and

(d) provides that in the case of a provident fund where a surplus is identified by the audit required under subparagraph (g)(i), such surplus shall be allocated to the account of members of the fund in lieu of contributions by the employer in the year and each subsequent year until the surplus is exhausted and such allocation of surplus shall be deemed to be contributions of the employer.

(e) provides that -

(i) the fund shall consist only of contributions by the employer in respect of his employees, and contributions by those employees, together with interest and
other accrued income thereon, and securities purchased out of the fund together with the interest paid on those securities;

(ii) in the case of an employee who was a member of a registered provident fund prior to 7th June, 1990, the lump sum may be paid after the completion of the specified period of service;

(iii) if the employee became a member of a registered provident fund after 7th June, 1990, the lump sum shall apply only if the period of service with that employer is not less than five years except that the lump sum may be paid on deferred basis upon the employee attaining the age of fifty years; and

(iv) notwithstanding that the conditions set in subparagraphs (ii) and (iii) have not been satisfied, a contributing employee who is a member of a registered provident fund may receive the full amounts payable after attaining the age of fifty-five years or such earlier age as the Commissioner may permit but not before he attains the age of forty years;

(c) provides that all benefits derived from contributions made by an employee shall vest immediately in the employee; and

(g) provides that -

(i) audit shall be carried out once every year during which all assets shall be valued at their market prices and all surplus funds not allocated to the accounts of a member of the fund identified:

(Deleted by L.N.No.52 of 8/6/2005)

(ii) the audited accounts shall be sent to the Commissioner of Income Tax, the Commissioner of Insurance, and all members of the fund notified of its availability for scrutiny at the offices of the fund manager, not later than thirty days from the date of completion of the audit.

(h) provides that, in the case of a provident fund that maintains a reserve fund, a beneficiary shall receive a share of the reserve fund upon being awarded benefits in respect of retirement, disability or death, as the case may be, in proportion to the value that the funds allocated to the account of the beneficiary bears to the value of the funds allocated to the accounts of all beneficiaries of the fund at that time.

6. An individual retirement fund shall, upon application being made under rule 8, be registered by the Commissioner for the purposes of this Act if he is satisfied that it –

(a) is registered with the Retirement Benefits Authority; and

(b) provides that all sums payable thereunder shall be paid in Kenya; and

(c) provides that the only contributions received shall be -
(i) funds transferred from another registered fund or registered individual retirement fund under section 22A(5) of the Act where the Commissioner has been duly informed of the transfer of funds; or

(ii) contributions by or on behalf of an individual who qualifies for a deduction under section 22B of the Act; and

(d) provides that the fund shall be invested in qualifying assets; and

(e) provides that no loan or other benefit shall be provided out of the fund to the beneficiary or any person not dealing at arm's length with that beneficiary; and

(f) provides that an individual beneficiary can direct that all funds in his individual retirement fund be transferred to another such account with the same or another qualified institution without unreasonable delay and with notification of the Commissioner; and

(d) provides that the payment of pension shall not commence until retirement after the attainment of the age of fifty years or upon earlier retirement on the grounds of ill health or infirmity of body or mind or on leaving the country permanently;

(h) (Deleted by L.N.No.55 of 10/6/2004).

(i) provides that upon the death of the beneficiary the funds shall be distributed or transferred as legally required; and

(j) provides that all benefits derived from contributions by or on behalf of an individual shall vest in that individual immediately.

7. The Commissioner may, subject to such conditions as he thinks fit, register, for the purposes of the Act, another pension fund or provident fund which does not fully comply with every requirement of rule 4, 5 or 6 but which in his opinion substantially so complies.

8. (1) Application for the registration of a scheme under rule 4, 5 or 6 shall be made by the trustee of the scheme to the Commissioner in writing accompanied by two copies of the trust deed or other documents constituting the scheme and the scheme regulations.

(2) The Commissioner shall, as soon as practicable after considering the application, notify the trustee in writing whether the scheme is acceptable for registration, and the same notification shall specify either -

(a) the reason therefor, if it is not acceptable; or

(b) the year of income in respect of which the registration is first to take effect, if it is so acceptable.
9. Where an alteration is made to scheme regulations, the trustee of the scheme shall immediately inform the Commissioner in writing thereof and such alteration shall not be effective unless written approval is received from the Commissioner.

10.(1) The Commissioner may at any time, by notice in writing to the trustee of a scheme, withdraw the registration of-

(a) a registered pension fund (whether registered under rule 3 or rule 4 the scheme regulations whereof have been so altered or breached that he is satisfied on reasonable grounds that the scheme no longer meets the requirements of rule 4; or

(b) a registered provident fund (whether registered under rule 3 or rule 5) the scheme regulations whereof have been so altered or breached that he is satisfied on reasonable grounds that the scheme no longer meets the requirement of rule 5; or

(c) a registered individual retirement fund the scheme regulations whereof have been so altered or breached that he is satisfied on reasonable grounds that the scheme no longer meets the requirements of rule 6; or

(d) a scheme registered under rule 7 which he is satisfied on reasonable grounds no longer meets the requirements of that rule or which has failed or ceased to fulfill any conditions of registration imposed under that rule; or

(e) a registered pension scheme or registered trust scheme the scheme regulations whereof have been so altered or breached that he is satisfied on reasonable grounds that the scheme no longer fulfills the conditions under which it was approved under the Management Act except where those conditions have been varied by these Rules; or

(f) a scheme the accounts of which fail or cease to be maintained to the satisfaction of the Commissioner.

(2) A withdrawal of registration under this rule shall take effect from the beginning of the year of income in which the grounds for that withdrawal arose or such later date as the Commissioner may determine.

savings plan registered in accordance with these Rules;

"Plan" means a home ownership savings plan; "qualifying deposits" means -
(i) funds transferred from another Plan under Section 22C of the Act;
or,
(ii) any deposits which qualify for a deduction under section 22C of the Act.

3.(1) An approved institution offering a home ownership savings plan to depositors may apply to the Commissioner for registration of the Plan for the purposes of the Act.

(2) An application under this rules shall -

(a) be made in writing addressed to the Commissioner;

(b) be signed by two of the officials of the approved institution;

(c) be accompanied by two certified copies of either the trust deed, or any rules or other document consisting the plan.

4. The Commissioner may, on receipt of an application under rule 3, register a Plan if-

(a) it is established in Kenya;

(b) the trust deed, rules or other document constituting the Plan provide that -

(i) all sums held on account of a depositor shall be used to purchase or construct a permanent house in Kenya;

(ii) no deposit made or benefit accruing or payable to the depositor shall be pledged as security for a loan or shall be capable of assignment unless the depositor dies;

(iii) upon the death of the depositor, the balance of the funds in his account shall be transferred to his spouse, any of his children who have attained the age of eighteen years or any relative of the depositor who is a qualifying individual without closing the account;

(iv) only qualifying deposits may be made by a depositor under the Plan.

(v) deleted

(vi) no loan or other benefit shall be provided out of the account to the depositor or to any person not dealing at arm's length with the depositor;

(vii) a depositor may, subject to the approval of the Commissioner, direct
all funds held in his account be transferred to another institution operating a similar Plan without undue delay;

(viii) the depositor may at any time on or before the ninth year after the qualifying year withdraw all the sums deposited without deduction of tax to purchase or construct a permanent house for his occupation: Provided that any excess amount of the withdrawal not used for the purchase or construction of the house shall be subject to tax;

(ix) in every year starting with the qualifying year up to the tenth year the depositor shall make in his account an annual deposit of up to forty eight thousand shillings;

(x) upon the death of the depositor, any funds held in his account shall be transferred as provided in these Rules and any sums not applied towards the purchase or construction of a permanent house shall be subject to tax;

(xi) in the case of expenditure on an existing house, no distinction shall be made between the value of the existing building and the land on which it stands;

(xii) in the case of the construction of a house, qualifying expenditure shall consist of construction services and building material supported by such evidence as the Commissioner may require;

(xiii) all funds in a depositor's account shall be withdrawn as a lump sum by the end of the ninth year following the qualifying year.

5. The Commissioner shall, as soon as reasonably practicable after considering the application, notify the applicant in writing whether or not the Plan is acceptable for registration, and the same notification shall specify either -

(a) the reason therefor, if it is not acceptable; or

(b) the year of income in respect of which the registration is first to take effect, if it is acceptable.

6. An institution shall, in respect of every depositor saving under a Plan, forward to the Commissioner -

(a) the personal identification number of the depositor;

(b) a certified copy of an affidavit sworn by the depositor confirming that he does not directly or indirectly own and has not previously directly or indirectly owned any interest in a permanent house;

(c) the amount of deposits; mode of investment and any withdrawal thereof;
(d) such other information as the Commissioner may from time to time require.

7. Where an alteration is made to the trust deed, the rules or other document constituting the Plan, the institution shall forthwith notify the Commissioner in writing and such alteration shall not be effective unless written approval thereof is received from the Commissioner.

8. (1). The Commissioner may, by notice in writing to the institution, withdraw the registration of a Plan if –

(a) the provisions of the trust deed, the rules or other documents constituting the Plan have either been breached or so altered that the Plan no longer meets the requirements of the Act or these Rules; or

(b) the accounts of the Plan fail or cease to be maintained to the satisfaction of the Commissioner.

(2) A withdrawal of registration under this rule shall take effect from the beginning of the year of income in which the grounds for that withdrawal arose or such later date as the Commissioner may determine, and the accumulated funds thereof shall be taxed in the year in which the registration is withdrawn.

THE INCOME TAX (INVESTMENT DUTY SET OFF) RULES, 1996
Revoked through Legal Notice No. 92 of 11th June, 2009

THE INCOME TAX (VENTURE CAPITAL ENTERPRISE) RULES, 1997
1. These Rules may be cited as the Income Tax (Venture Capital Enterprise) Rules, 1997 and shall be deemed to have come into operation on 1st September, 1996.

2. In these Rules, unless the context otherwise requires-

“eligible activities” means activities other than those listed in rule 4 of these Rules;

“fund manager” means a person licensed by the Capital Markets Authority under the provisions of the Capital Markets Authority Act for the purpose of managing a venture capital enterprise;

“venture capital company” means a company incorporated in Kenya for the purpose of investing in a new or expanding venture enterprise.

3. A venture capital enterprise shall, upon application under rule 5, be registered by the Commissioner for the purposes of this Act if the Commissioner is satisfied that-

(a) it is incorporated in Kenya; and
(b) it is incorporated for the purpose of investing in new or expanding venture capital enterprises; and

(c) it is registered by Capital Markets Authority; and

(a) it is managed by a fund manager; and

(b) seventy-five percent or more of its portfolio of investable funds is invested by way of equity or quasi-equity investment in venture capital enterprise; and

(c) the primary activities of the venture capital enterprise in which it has invested are approved activities.

1. The primary activities of a venture capital enterprise shall not include-

(a) trading in real property;

(b) banking and financial services; or

(c) retail and wholesale trading services

5.(1) An application for registration of a venture capital enterprise under rule 3 shall be made in writing and shall be accompanied by-

(a) two copies each of the company’s

(i) memorandum and articles of association;

(ii) certificate of incorporation;

(iii) certificate of registration by the Capital Markets Authority;

(iv) Personal Identification Number Card;

(b) the fund manager’s licence under the Capital Markets Authority Act;

(c) any other information as may be required by the Commissioner.

(2) The Commissioner shall, as soon as practicable after considering the application, notify the fund manager in writing whether the venture capital company is acceptable for registration, and the same notification shall specify either-

(a) the reason thereof, if it is not acceptable; or

(b) the year of income in respect of which the registration is first to take effect, if it is so acceptable.
Withdrawal of Registration.

6.(1) The Commissioner may at any time, by notice in writing to the fund manager, withdraw the registration of a venture capital company if in the opinion of the Commissioner, that venture capital company no longer qualifies for registration under these rules.

(2) A withdrawal of registration under this rule shall take effect from the beginning of the year of income in which the grounds for that withdrawal arose or such later time as the Commissioner may determine.

THE INCOME TAX (WITHHOLDING TAX) RULES 2001

1. The Rules may be cited as Income Tax (Withholding Tax) Rules, 2001

2. In these Rules, unless the context otherwise requires:-

“Commissioner” includes an officer authorized in writing by the Commissioner to exercise the powers or to perform functions conferred upon the Commissioner under these Rules;

“payee” means a person who receives income from a payer after deduction of withholding tax;

“payer” means a person who deducts withholding tax for the purposes of these Rules;

“withholding tax” means tax subject to deduction as determined in accordance with the provisions of the Act and these Rules;

“withholding tax rate” means the respective rate of tax set out in the Third Schedule as applicable to the specified class of income;

“withholding tax deduction card” means a deduction card, in such form as the Commissioner may provide, or such other document corresponding to a withholding tax deduction card as may be authorized by the Commissioner in any particular case, and on which the information that the Commissioner may direct with respect to tax is recorded.

3. Section 128 of the Act shall apply to a notice or other document which is authorized or required to be given, served or issued by the Commissioner under these Rules.

4.(1) A person who makes a payment of, or on account of, any income which is subject to withholding tax shall deduct tax therefrom in the amount specified –

(a) under paragraphs 3 and 5 of Head B of the Third Schedule; and

(b) where the Government of Kenya has double taxation agreement with the Government of another country, in the terms of that agreement;

Provided that the rates of tax under this paragraph shall not exceed the rates
specified under paragraph (a).

(2) A person who fails to comply with the requirement of paragraph (1) commits an offence.

5. (1) On the occasion of making a payment, a person shall keep a record in respect of, name of payee, Personal Identification Number (PIN), gross amount paid, nature of payment and amount of tax deducted.

(2) A person shall, on the tax deduction card or such other document as may be authorized by the Commissioner, record such particulars as the Commissioner may direct in respect of that payment.

(3) Any person who fails to comply with paragraph (1) or (2) commits an offence.

6. Upon making a payment and deducting withholding tax in any month, the person making the payment shall furnish the payee with a certificate showing the gross amount paid, the total tax deducted and such other particulars as the Commissioner may require.

7. (1) If a person to whom payment is made under paragraph 6 is aggrieved by reason of the nature of a payment and the rate of withholding tax applied and is unable to reach an agreement with the payer—

(a) the payer may inform the payee of his rights under this rule and shall, at the request of the payee, furnish him with a written statement showing the manner in which the payer calculated the tax deducted;

(b) The payee may give a notice of objection in writing to the Commissioner, but that notice shall be valid only if—

(i) it states precisely the grounds of his objection;

(ii) there is enclosed therewith the written statement furnished by the payer; and

(iii) it is received by the Commissioner within thirty days of the date on which the statement from the payer under paragraph (a) was received by the payee.

(2) On receipt of a notice of objection under this rule, the Commissioner shall consider the objection and, subject to and in accordance with these rules, may amend the calculation or reject the objection.

(3) The Commissioner shall notify the payer and the payee in writing of his decision on the objection and thereafter, on the occasion of making payment to the payee the calculation of the tax shall be in accordance with that decision.

(4) Notwithstanding that a valid objection has been made, on the occasion of
making a payment to the payee from which tax is to be deducted in accordance with these rules, the amount of tax to be deducted shall be in accordance with the calculation made by the payer until the payer is notified by the Commissioner of his decision on the objection.

(5) Any amount of tax in excess of the amount found to be payable upon calculation by the Commissioner under paragraphs (3) and (4) shall be refunded to the payee.

8. (1) On or before the twentieth day of the month following the month in which the deduction is made or before such other day as may be notified to him by the Commissioner, a person shall, subject to subparagraph (3), pay to the Commissioner or to such other person as the Commissioner may direct, all amounts of tax deducted in accordance with the Act and these rules.

(2) The tax remitted shall be accompanied by an appropriate return showing the name of the payee, the gross amount of payment, the amount of tax deducted and such other information as the Commissioner may specify.

(3) Where no withholding tax is deducted, a person shall furnish the Commissioner with a certificate, in such form as the Commissioner may prescribe, showing that no tax was deducted in that month.

(4) A person whom the Commissioner has, under paragraph (1), directed to receive withholding tax on his behalf shall keep a record of payment in such form as the Commissioner may direct and shall enter therein particulars of all tax paid to him.

(5) A person who, having deducted tax under these rules, fails to remit tax within the time prescribed under this rule, account for such tax deducted or who fails to comply with paragraph (2), commits an offence.

9. (1) If, on the twentieth day following the month in which the deduction is made or before such later day as may have been notified to him by the Commissioner, a person has paid no tax under rule 8(1) for that month and the Commissioner is unaware of the amount, if any, which the person is liable to pay, or the person has failed to provide the certificate mentioned in paragraph (3) of that rule, the Commissioner may give notice to the person requiring him to render within the time specified in the notice, a return showing the name of every person to whom he made any payment which is subject to withholding tax in the period stated in the notice, together with particulars with regard to each person that notice may require, being particulars of –

(a) a calculation of tax under rule 4 appropriate to each person’s case;

(b) the payment of amounts subject to withholding tax made to that other person during that period; and
(c) any other matter affecting the calculation of the tax which the person was liable under these rules to deduct from the payments subject to withholding tax during that period.

(2) The Commissioner shall ascertain and certify to the best of his knowledge and belief the amount of tax which the person would have been liable to pay under rule 8 in respect of that period in question had he complied with the provisions of these rules.

(3) The production of the return made by the person under paragraph (1), and of the certificate of the Commissioner under paragraph (2), shall be sufficient evidence that the amount shown in the certificate is the amount of tax which the person would have been liable to pay under rule 8 in respect of the period in question had he complied with the provisions of these rules and a document purporting to be such a certificate shall be deemed to be such a certificate until the contrary is proved.

(4) Where a notice given by the Commissioner under paragraph (1) extends to two or more consecutive months, these rules shall have effect as if those consecutive months were one month.

(5) If the Commissioner is not satisfied that the amount of tax paid in respect of a period is the full amount which the person would have been liable to pay under rule 8 had he complied with these rules, he may notwithstanding that an amount of tax has been paid by the person under that rule in respect of that period give a notice under paragraph (1) of this rule and thereupon this rule shall have effect in the subsequent periods.

10. For the purpose of the recovery of tax which a person would have been liable to pay under rule 8 had he complied with the provisions of these rules, that person shall be deemed to have been appointed an agent of his payee under Section 96 of the Act.

11. (1) Not later than two months after the end of each year, a person shall render to the Commissioner a statement and declaration in the form that the Commissioner may provide or authorize in respect of each person to whom payment is made at any time during the year, showing such particulars as the Commissioner may require.

(2) Where a person ceases to carry on business before the end of any year of income, he shall carry out the requirements of this rule within one month of cessation.

(3) Any person who fails to render a return to the Commissioner within two months after the end of a year as required under paragraph (1), commits an offence.

12. (1) A person liable to pay withholding tax shall, when called upon to do so by the Commissioner, produce for inspection, at his premises or at any place the Commissioner may require –
(a) all accounts, books of accounts, documents and other records relating to the calculation of, and on account of payments which are subject to withholding tax in respect of the period which may be specified by the Commissioner; and

(b) any other books, documents and records which may be specified by the Commissioner, which shall be written in English or such other language which the Commissioner may allow.

(2) The Commissioner may, on the occasion of an inspection under this rule, prepare a certificate, based on the information obtained from the inspection, showing –

(a) the tax which appears from the documents and records produced that the person would have been liable to pay under rule 8 for the period covered by the inspection had he complied with the provisions of these rules;

(b) the tax which, to the best of his knowledge and belief, has not been paid as the Commissioner had directed.

(3) The production of the certificate referred to in paragraph (2) shall be sufficient evidence that the person is liable to pay, in respect of the period mentioned in the certificate, the amount shown therein pursuant to paragraph (2)(b), and a document purporting to be such certificate shall be deemed to be such certificate until the contrary is proved.

13. If an individual dies, anything, which he would have been liable to do under these rules, shall be done by his personal representatives, or, in the case of an individual who made payments on behalf of another person, by the person succeeding him, or if no person succeeds him, by the person on whose behalf he made those payments.

14. Where there has been change in the payer, the payer after the change shall in relation to a matter arising after such change, be liable to do anything which the payer before the change would have been liable to do under these rules if the change had not taken place.

14A. For the purposes of section 35(6) of the Act, where a person, when under obligation to do so, fails-

(a) to make a deduction described in section 35(6)(a) of the Act, in accordance with Rule 4; or

(b) to remit an amount of tax deducted, as described in section 35(6)(b) of the Act, in accordance with Rule 8,

the Commissioner may impose a penalty equal to ten percent of the amount
of the tax involved, subject to a maximum penalty of one million shillings.

15. A person convicted of an offence under these rules shall be liable to a fine not exceeding one hundred thousand shillings, or to imprisonment for a term not exceeding six months, or to both.

THE INCOME TAX (LEASING) RULES, 2002

1. These Rules may be referred to as the Income Tax (Leasing) Rules, 2002.

2. In these Rules, unless the context otherwise requires –

“asset” includes equipment, but excludes land and buildings;

“Commissioner” includes an officer authorized in writing by the Commissioner to exercise the powers or to perform functions conferred upon the Commissioner under these Rules;

“cross-border lease” means a leasing contract entered into between a person resident in Kenya and another person resident in a different tax jurisdiction;

“finance lease” means a contract which the lessor agrees to lease assets to the lessee for a specified period of time where the risks and rewards associated with ownership of the assets are substantially transferred from the lessor to the lessee, but with the title to the assets always remaining with the lessor;

“hire purchase” means a contract under which the lessor agrees to lease the assets to the lessee for a specified period of time, with the intention of transferring ownership on the expiry of the lease;

Provided that any contract whose term is less than six months shall not be deemed to be a lease.

“lease” means a contract by which a person owning assets grants to a lessee the right to possess, use and enjoy such assets for a specified period of time in exchange for periodic payments;

“lessee” means a person who leases from the owner or lessor of the assets and in return for use of such assets pays periodic payments to the lessor;

“lessor” means a person who leases an asset to a lessee;

“operating lease” means a contract under which the lessor agrees to lease the assets to the lessee for specified periodical payments where the title to the assets and the risks and rewards associated with ownership substantially remain with the lessor.
### Income chargeable to tax.

L.N.60/2006

#### Deduction.

#### Capitalization of assets.

#### Register

Duration of lease.  
*L.N. 81/2008*  
Where lease is terminated.

#### Income chargeable to tax.

3. (1) All income accruing to a lessor from payments made in respect of an operating or finance lease shall be chargeable to tax in accordance with the provisions of the Act.

   (2) All income accruing under paragraph (1) shall be subject to withholding tax at the rates applicable to resident or non-resident persons under the Act.

4. Notwithstanding paragraph 3 -

   (a) a lessor shall be entitled to claim a deduction –

      (i) for the wear and tear of the leased assets in accordance with paragraph 9 of the Second Schedule to the Act; and

      (ii) in respect of all other expenditure incurred wholly and exclusively in the production of the income in accordance with section 15 of the Act.

   (b) a lessee shall take as a deduction the full amount of the payments made to the lessor:

      Provided that a deduction under these Rules shall be granted where the Commissioner is satisfied –

      (i) in the case of a lessor, that the expenditure in respect of which the deduction is sought is incurred by the lessor wholly and exclusively in the production of income chargeable to tax; and

      (ii) in the case of a lessee, that the sole consideration for the payment in respect of which the deduction is sought is the use of, or the right to use, an asset.

5. (1) For the purposes of these Rules, Assets to which these Rules relate shall be capitalized in the books of the lessor, and where the same are sold off upon the expiration of the lease, the difference between the sale price and the book value shall be deemed to be a gain or loss to the lessor, as the case may be, for purposes of assessment.

   (2) Assets leased under these Rules shall not be capitalized in the books of the lessee.

6. The lessor shall maintain a separate register for all leased assets.

7. *Deleted.*

8. (1) Where, upon termination of a lease in respect of which the lessee is entitled to any tax deduction, and with the express or implied consent or acquiescence of the lessor the lessee is allowed to use, enjoy or deal with the asset as the lessee may deem fit –

   (a) without the payment of any consideration; or
(b) subject to the payment of any consideration which is nominal in relation to the fair market value of the asset; or

(c) if the asset is transferred to the lessee passes for an amount less than the market value,

the lessee shall be deemed to have acquired the asset and the Commissioner shall recover the deductions previously enjoyed by the lessee in respect of such assets with effect from the date of the commencement of the lease and appropriate adjustments made for each year of income when the lease payments were claimed.

(2) Where an acquisition is deemed under paragraph (1) the lessee shall be allowed to depreciate the amount recovered based on the wear and tear deduction applicable to the class of asset which shall be computed on the total lease payments recovered under paragraph (1), with effect from the year of income in which the lease commenced.

(3) Where a lessee is allowed wear and tear as computed under paragraph (2), similar adjustments shall be made in the tax computation of the lessor to bring to charge the wear and tear previously claimed by the lessor.

9. Deleted

10 (1) Where a lessor in Kenya enters a cross-border lease, the gross lease payments made to the lessor shall be deemed to be income chargeable to tax.

(2) Where a lessee in Kenya enters a cross-border lease, the gross lease payments made by such lessee shall be deemed to be income derived from Kenya and shall be subject to withholding tax in accordance with the Act.

THE INCOME TAX (NATIONAL SOCIAL SECURITY FUND) (EXEMPTION) RULES, 2002

1. These rules may be cited as the Income Tax (National Social Security Fund) (Exemption) Rules, 2002 and shall come into operation on the 1st July, 2002.

2. In these rules, unless the context otherwise requires:-

“Board of Trustees” means the National Social Security Fund Board of Trustees constituted under section 4 of the National Social Security Fund Act;

“accounting period” has the meaning assigned to it in section 2 of the Act;

“Commissioner” means the Commissioner of Income Tax;

“National Social Security Fund” means the National Social Security Fund established under section 3 of the National Social Security Fund Act and “Fund” shall be construed accordingly.
### Conditions for Exemption.

3. The income of the National Social Security Fund shall be exempt from income tax subject to the following conditions being complied with by the National Social Security Fund Board of Trustees-

   (a) the Board of Trustees shall cause the accounts of the Fund to be audited every year;

   (i) the determination of the market value of the assets of the Fund;

   (b) the Board of Trustees shall ensure that the annual audit includes -

   (ii) the determination of the surplus amount of the market value, not allocated to the account of a member of the Fund, excluding the reserve fund that does not exceed ten percent of the market value of the Fund in the year of audit.

   (c) the Board of Trustees shall allocate the surplus amount to the respective accounts of individual members in proportion to the value of the amounts allocated to the accounts of all members of the Fund from time to time.

   (d) the Board of Trustees shall cause the audit report to be published, in the Gazette and in at least two newspapers of national circulation within nine months of the end of the accounting period of the Fund and shall include a full listing of the assets of the Fund at book and market values;

   (e) the Board of Trustees shall submit the annual audit report to the Commissioner within nine months of the end of the accounting period to which the audit report relates.

4. The Commissioner shall, within twelve months of the receipt of the Audit report under rule 3(e), send a report in writing to the Minister on the level of compliance with the conditions laid down in regulation 3 by the Board of Trustees.

5. Failure by the Board of Trustees to comply with the conditions of rule 3 shall cause the Board of Trustees to be liable to a penalty not exceeding ten thousand shillings for every such failure.

### THE INCOME TAX (TRANSFER PRICING) RULES, 2006

1. These Rules may be cited as the Income Tax (Transfer Pricing) Rules, and shall come into operation on the 1st July, 2006)

2. In these Rules, unless the context otherwise requires-

   “arm’s length price” means the price payable in a transaction between independent enterprises;

   “comparable transactions” means transactions between which there are no material differences, or in which reasonably accurate adjustment can be made to eliminate material differences;
“controlled transaction” means a transaction which is monitored to ensure payment of an arm’s length price for goods or services;

“related enterprises” means one or more enterprises whereby-

(a) one of the enterprises participates directly or indirectly in the management, control or capital of the other; or

(b) a third person participates directly or indirectly in the management, control or capital or both.

3. The purposes of these Rules are-

(a) to provide guidelines to be applied by related enterprises, in determining the arm’s length prices of goods and service in transactions involving them, and

(b) to provide administrative regulations, including the types of records and documentation to be submitted to the Commissioner by a person involved in transfer pricing arrangements.

4. The taxpayer may choose a method to employ in determining the arm’s length price from among the methods set out in Rule 7.

5. The guidelines referred to in rule 3 shall apply to-

(a) transactions between related enterprises within a multinational company, where one enterprise is located in, and is subject to tax in, Kenya, and the other is located outside Kenya;

(b) transactions between a permanent establishment and its head office or other related branches, in which case the permanent establishment shall be treated as a distinct and separate enterprise from its head office and related branches.

6. The transactions subject to adjustment of prices under these Rules shall include-

(a) the sale or purchase of goods;

(b) the sale, purchase or lease of tangible assets;

(c) the transfer, purchase or use of intangible assets; (d) the provision of services;

(e) the lending or borrowing of money; and

(f) any other transactions which may affect the profit or loss of the enterprise involved

7. The methods referred to in rule 4 are the following-

(a) the comparable uncontrolled price (CUP) method, in which the transfer price in a controlled transaction is compared with the
prices in an uncontrolled transaction and accurate adjustments made to eliminate material price differences;

(b) the resale price method, in which the transfer price of the produce is compared with the resale price at which the product is sold to an independent enterprise;

Provided that in the application of this method the resale price shall be reduced by the resale price margin (the price margin indicated by the reseller);

(c) the cost plus method, in which costs are assessed using the costs incurred by the supplier of a product in a controlled transaction, with a mark-up added to make an appropriate profit in light of the functions performed, and the assets used and risks assumed by the supplier;

(d) the profit split method, in which the profits earned in very closely interrelated controlled transactions are split among the related enterprises depending on the functions performed by each enterprise in relation to the transaction, and compared with a profit split among independent enterprises in a joint venture;

(e) the transactional net margin method, in which the net profit margin attained by a multinational enterprise in a controlled transaction is compared to the net profit margin that would have been earned in comparable transactions by an independent enterprise; and

(f) such other method as may be prescribed by the Commissioner from time to time, where in his opinion and in view of the nature of the transactions, the arm’s length price cannot be determined using any of the methods contained in these guidelines.

8 (1) The methods set out in Rule 7 shall be applied in determining the price payable for goods and services in transactions between related enterprises for the purposes of section 18(3) of the Act.

(2) A person shall apply the method most appropriate for his enterprise, having regard to the nature of the transaction, or class of transaction, or class of related persons or function performed by such persons in relation to the transaction.

(3) The Commissioner may issue guidelines specifying conditions and procedures to guide the application of the methods set out in rule 7.
9 (1) The Commissioner may, where necessary, request a person to whom these Rules apply for information, including books of accounts and other documents relating to transactions where the transfer pricing is applied.

(2) The documents referred to in paragraph (1) shall include documents relating to-

(a) the selection of the transfer pricing method and the reasons for the selection;

(b) the application of the method, including the calculations made and price adjustment factors considered;

(c) the global organization structure of the enterprise;

(d) the details of the transaction under consideration;

(e) the assumptions, strategies, and policies applied in selecting the method; and

(f) such other background information as may be necessary regarding the transaction.

(3) The books of accounts and other documents shall be prepared in, or be translated into, the English language, at the time the transfer price is arrived at.

10. Where a person avers the application of arm’s length pricing, such person shall-

(g) develop an appropriate transfer pricing policy;

(h) determine the arm’s length price as prescribed under the guidelines provided under these Rules; and

(i) avail documentation to evidence their analysis upon request by the Commissioner.

11. The provisions of the Act relating to fraud, failure to furnish returns and underpayment of tax shall apply with respect to transfer pricing.

12. Any tax due and unpaid in a transfer pricing arrangement shall be deemed to be additional tax for purposes of Section 94 and 95 of the Act.
1. These regulations may be cited as the Income Tax (charitable Donations) Regulations, 2007, and shall be deemed to have come into force on 1st January, 2007.

2. In these Regulations, unless the context otherwise requires-

“approved project” means a project approved by the Minister;

“cash donation” includes a donation given in form of a cheque; and

“charitable organization” means a non-profit making organization established in Kenya and which-

(a) is of a public character; and

(b) has been established for purposes of the relief of poverty or distress of the public, or advancement of education.

3. (1) A person who makes a claim for a donation to be allowed under section 15 (2) (w) of the Act shall provide proof of the donation to the Commissioner.

   (2) The proof of the donation required in accordance with paragraph (1) shall be in form of a receipt issued and certified by the recipient of the donation and shall be accompanied by-

   (a) a copy of the exemption certificate issued by the Commissioner to the charitable organization, or the Minister’s approval of the project to which the donation is made;

   (b) a declaration from the donee that the donation shall be used exclusively for the objects of charity.

4. For purposes of these Regulations, donations made shall-

   (a) be in cash and shall not be repayable or refundable to the donor under any circumstance;

   (b) not confer any direct or indirect benefit to the donor or any person associated to the donor;

   (c) under no circumstances be revoked once conferred upon a charitable organization, unless there is approval by the Commissioner in which case the tax arising shall be due and payable.

2. The receipt produced as proof of a donation shall have the following details-
(a) the full names and address of the donee;

(b) the Personal Identification Number (PIN) of the donee;

(c) date of donation;

(d) purpose for which the donation was made;

(e) amount of donation

THE INCOME TAX (TURNOVER TAX) RULES, 2007

1. These rules may be cited as the Income Tax (Turnover Tax) rules, 2007 and shall come into operation on the 1st January, 2008.

2. In these Rules, unless the context otherwise requires-

   “income from business” includes gross receipt, gross earnings, revenue, takings, yield, proceeds or other income chargeable to tax under section 12C.

   “person” includes partnership;

   “return of income” means a return of income furnished by a person under rule 9;

   “tax period” means every three calendar months commencing 1st January every year;

   “turnover tax” means tax payable under section 12C of the Act.

3. (1) Any person whose income from business exceeds five hundred thousands shillings and does not exceed five million shillings in a year of income shall be liable to pay turnover tax.

(2) Paragraph (1) of this rule shall not apply to

   (a) any person whose annual income from business does not exceed five hundred thousand shillings per year;

   (b) any person whose annual income is exempt from tax under the First Schedule to the Act;

   (c) any person whose income is subject to withholding tax as a final tax.

4. (1) A person may elect to be exempt from the provisions of Section 12C of this Act.
(2) A person who elects to be exempted shall make an application for exemption in writing to the Commissioner.

(3) Where the Commissioner approves the application for exemption under paragraph (2), a person who has been exempted shall be subject to Section 3 of the Act;

(4) The exemption approved by the Commissioner shall take effect in the subsequent year of income.

**5.** Any income from a business that is subject to turnover tax shall not be liable to any other tax under this Act.

**6.** (1) A person whose income from business does not exceed or is not expected to exceed five million shillings per annum shall be required to apply for turnover tax registration in the prescribed form.

(2) Notwithstanding paragraph (1), a person whose income from business does not exceed five hundred thousand shillings per annum shall not apply for registration.

(3) Where the Commissioner is satisfied that a person is required to be registered, the Commissioner shall issue a certificate of registration in the prescribed form.

(4) A person whose income from business falls below five hundred thousand shillings in any year of income shall apply to the commissioner of de-registration.

(5) Where the Commissioner is satisfied that the income of an applicant has fallen below five hundred thousand shillings, the Commissioner shall de-register that person.

**7.** (1) Where the income from the business of a person registered under rule 6 exceeds five million shillings during a year of income, that person shall notify the Commissioner of the change of status.

(2) Where the Commissioner is satisfied by the notification under paragraph (1), the Commissioner shall grant approval for the change.

(3) The approval granted by the Commissioner under paragraph (2) shall be effected in the subsequent year of income.

**8.** (1) A person registered under rule 6 shall be required to keep records necessary for the determination and ascertainment of tax, including daily sales summary in a prescribed form and any other document or record that the Commissioner may from time to time direct to be maintained having regard to the type and nature of business being undertaken.
(2) Notwithstanding paragraph (1), where a business is in possession of an Electronic Tax Register records as provided under the Value Added Tax Act (Electronic Tax Register) Regulations, 2004, the records shall be sufficient

9. (1) A person subject to turnover tax shall calculate the tax due, remit the tax due to the Commissioner by cash or bank guaranteed cheques or electronic fund transfers and submit a return in the prescribed form, in each tax period, to the Commissioner on or before 20th day of the month following the end of the tax period.

(2) A person may remit tax due on monthly basis and offset the tax paid in the tax return.

(3) Where a business does not have income chargeable to turnover tax in any tax period, the business shall submit a nil return.

10. (1) Any person who fails to submit a tax return under rule (9) is liable to a default penalty of two thousand shillings.

(2) Any person who submits a return within the required period, but fails to pay the tax due is liable to a default penalty of two thousand shillings.

(3) Any person who fails to pay tax due, or part thereof, under rule 9 is liable to pay interest at the rate of two per centum per month on the unpaid tax.

(4) The Commissioner-

(a) may remit whole or part of any penalty or the late payment interest in accordance with the provisions of Section 94 of this Act.

(b) shall have the powers conferred under Section 123 of this act, to refrain from assessing to tax or recovering tax from any person liable to turnover tax.

11. For purposes of obtaining full information in respect of accounting for turnover tax, the Commissioner may by notice require any person to-

(a) produce books and records relating to the calculation of turnover tax.

(b) appear at such time and place as may be specified in the notice.

12. For purposes of collection, recovery and enforcement of tax, the Commissioner may appoint any person under Section 96 of the Act to be an agent.

13. No expenditure or capital allowances shall be granted against the turnover tax.

14. Any dispute arising from the administration of these Rules as regards any assessment to tax shall be dealt with in accordance with the provision of Section 84 of the Act
THE INCOME TAX (ADVANCE TAX) (CONDITIONS AND PROCEDURES) RULES, 2012


2. In these Rules, unless the context otherwise requires

“advance tax” means tax payable under section 12A of this Act;

“owner of a commercial vehicle” means the registered owner as indicated in the registration certificate issued by the Registrar of motor vehicles.

3. (1) Any person who owns a commercial vehicle shall be liable to pay advance tax.

(2) Advance tax shall be payable for each year of income at the rates specified under paragraph 8 of the Third Schedule to the Act.

(3) Advance tax shall be due and payable to the Commissioner on or before the twentieth day of the first month of the year of income, or in cases of transfer of ownership of the commercial vehicle, before the new owner is registered as such.

(4) The Commissioner shall assess the amount of advance tax payable under these Rules in accordance with paragraph 8 of the Third Schedule to the Act.

(5) A person liable to pay advance tax shall submit to the Commissioner the payment accompanied by the prescribed form.

(6) The Commissioner shall issue, to every person who pays advance tax under these Rules, a receipt which shall be the proof of payment of advance tax.

4. Any person who is liable to pay advance tax shall keep records necessary for the determining and ascertaining advance tax, including registration certificates, vehicle inspection reports, previous advance tax receipts and such other document or record as the Commissioner may from time to time direct.

5. (1) A person who pays advance tax shall submit to the Commissioner a return of income in accordance with section 52B of the Act.

(2) A person who fails to file a return of income in accordance with paragraph (1) shall be liable to pay additional tax as provided under section 72 of the Act.

6. A Government agency shall for the purposes of the registration or transfer of ownership, licensing or inspection of a commercial vehicle, require the owner of the commercial vehicle to furnish such agency with evidence of payment of
advance tax or income tax exemption certificate, where applicable.

7. Any dispute arising from the administration of these Rules relating to the assessment to tax shall be dealt with in accordance with Section 84 of the Act.

8. (1) For purposes of obtaining information necessary for the verification of advance tax paid, the Commissioner may by notice require a person liable to pay advance tax to-

(a) produce all accounts, books, documents and other records relating to the payment of advance tax in respect of such period as may be specified by the Commissioner.

(b) produce the commercial vehicle or a Vehicle Inspection Report prepared by a recognized Government agency or agent; or

(c) avail themselves for interview at such time and place as may be specified in the notice.

(2) The Commissioner may, upon undertaking an inspection under this rule, demand from the person, based on the information obtained from the inspection-

(a) the tax which appears from the documents and records produced by that person, would have been payable under rule 3 for the period covered by the inspection had that person complied with these Rules; or

(b) the outstanding tax and penalties.

9. (1) Any person who fails to pay the advance tax due shall, in addition to the payment of the unpaid tax, be liable to pay a penalty and interest on the unpaid tax in accordance with Section 72D and Section 94 of this act respectively.

(2) The provisions of the Act that relate to collection and recovery of tax shall apply for the purposes of collection and recovery of unpaid advance tax.

IN EXERCISE of the powers conferred by section 39B (2) of the Income Tax Act, the Cabinet Secretary for the National Treasury makes the following Regulations:—

THE INCOME TAX (SET-OFF TAX REBATE FOR GRADUATE APPRENTICESHIPS) REGULATIONS, 2016

1. These Regulations may be cited as the Income Tax (Set-off Tax Rebate for Graduate Apprenticeships) Regulations, 2016, and shall come into operation on the 1st April, 2016
2. In these Regulations, unless the context otherwise requires—

“graduate apprentice” means a university graduate who is bound by a written contract of apprenticeship to serve an employer for a period of at least six to twelve months during any year of income;

“contract of apprenticeship” means a written agreement which provides for specific terms of apprenticeship and employment including but not limited to job training;

“Director-General” means the Director-General appointed under section 4 (c) of the Industrial Training Act;

“employer” has the meaning assigned to it under the Employment Act, 2007;

“tax rebate” means an allowable expenditure that is in addition to the expenditure already allowed under section 15 (1) of the Act;

“university graduate” means a graduate from a university who has at least a bachelor’s degree from a university recognized in Kenya;

3. An employer who is subject to tax under section 3 of the Act, other than an employer whose income is wholly exempt, shall, subject to section 39B of the Act, be eligible for a tax rebate.

4. An employer shall not engage graduate apprentice without the written permission of the Director-General of the National Industrial Training Authority.

5. (1) An employer shall, before engaging a graduate apprentice, enter into a contract of apprenticeship with the graduate apprentice for a period of apprenticeship of six to twelve months and register the contract with the Director-General of the National Industrial Training Authority.

(2) A contract of apprenticeship shall not be binding unless it has been registered by the Director-General of the National Industrial Training Authority.

6. (1) An employer of an apprentice shall, on satisfactory completion of the apprenticeship, submit a certificate of completion in the prescribed form, to the Director-General and issue a copy of the certificate to the apprentice.

(2) The Director-General shall, upon receiving a certificate of completion under paragraph (1), issue a certificate of apprenticeship to the apprentice.

7. An employer who is eligible for deduction of a tax rebate shall maintain certified copies of the contract of apprenticeship and the apprenticeship certificate for every apprentice certified by the Director General.

8. Notwithstanding section 15 of the Act, an employer shall, subject to regulation 7, deduct a tax rebate equal to fifty percent of the amount of salaries and wages paid to at least ten apprentices.
9. No deduction for a tax rebate for an apprentice shall be allowed after a period of three years from the due date of the employer’s last tax return.

Made on the 8th June, 2016.

HENRY K. ROTICH,

Cabinet Secretary for the National Treasury

IN EXERCISE of the powers conferred by section 6A of the Income Tax Act, the Cabinet Secretary for the National Treasury makes the following Rules:

Citation

1. These Regulations may be cited as the Income Tax (Residential Rental Income Tax) Regulations, 2016.

Interpretation

2. In these Regulations, unless the context otherwise requires—

“gross rent” means payments received from a right granted to another person for use or occupation of immovable property which includes rent, premium or similar consideration received for the use or occupation of property;

“return of income” means a return of income furnished by a person chargeable to tax under these Rules;

“tax period” means a calendar month;

“property” means building occupied as a residential house;

“residential rental income tax” means tax payable under section 6A of the Act.

“year of income” has the meaning assigned to it under the Act.

Application

3. (1) These Regulations shall also apply where the rental property is owned by a partnership

(2) These Rules shall not apply to a person whose income is exempt from tax under the First Schedule to the Act.

Elect to be excluded from residential rental income tax

4. (1) A person who opts not to be subject to the residential rental income tax under section 6A of the Act shall notify the Commissioner, at least three months before the end of the year of income.

(2) The Commissioner shall within sixty days from the date of receipt of such notice acknowledge receipt of the notice, in writing

(3) Where the Commissioner fails to acknowledge receipt of the notice within the time specified in regulation 4(2), the Commissioner shall be deemed to have received the notice.

(4) The option not to be subject to residential rental income shall take effect in the subsequent year of income.

(5) Where a person is subject to residential rental income tax and during a year of income the rental income exceeds ten million shillings
or that person has reason to believe that the rental income is likely to exceed ten million shillings, the person shall inform the Commissioner of that fact before the end of that year of income.

(6) Any person who fails to notify the Commissioner of the as required under paragraph (5) shall be guilty of an offence under the Act.

5. Any income from rent that is subject to residential rental income tax shall not be liable to any other tax under the Act.

6. A person subject to residential rental income tax shall be required to keep records necessary for the determination and ascertainment of the tax in accordance with the Tax Procedure Act, 2015.

7. A person subject to residential rental income tax shall submit a return and pay the tax due to the Commissioner, on or before the 20th day of the month immediately following the month which the rent was received.

8. A person who fails to comply with regulation 7 shall be liable to the penalty prescribed in section 83 of the Tax Procedure Act, 2015.

9. For purposes of obtaining full information in respect of accounting for residential rental income tax under these Regulations, the Commissioner may by notice require any person to—

   (a) produce books and records relating to the computation the tax; or
   
   (b) appear at such time and place as may be specified in the notice.

10. No expenses or capital deductions allowances shall be deducted while computing the tax.

11. Any dispute arising from the administration of these Regulations relating to the assessment of tax shall be dealt with in accordance with the provisions of the Tax Procedure Act, 2015.

12. (1) These Regulations shall not affect—

   (a) the assessment and collection of rent income tax under section 15(7)(b) of the Act that was due before the 31st December,2015;

   (b) penalty, audit or investigation that commenced before coming into force of these Regulations;

   (2) Any losses brought forward under section 15(7)(b) of the Act shall be deemed to have been extinguished as at 31st December, 2015.

Made on the 8th June, 2016.

HENRY K. ROTICH,

*Cabinet Secretary for the National Treasury.*