

Major types of taxes in Kenya

Kenya's tax system consists of several categories, including:

- **Income Tax:** Levied on the income of individuals and businesses.
 - **Pay-As-You-Earn (PAYE):** A monthly tax deducted by employers from their employees' salaries.

✓ **PAYE tax brackets (effective from July 1, 2023)**

<u>Monthly Taxable Pay (KES)</u>	<u>Tax Rate</u>
On the first KShs. 24,000	10%
On the next KShs. 8,333	25%
On the next KShs. 467,667	30%
On the next KShs. 300,000	32.5%
On all income over KShs. 800,000	35%

✓ **Important deductions and reliefs**

Several deductions and reliefs can lower your taxable income before the PAYE rates are applied:

Personal Relief: A fixed monthly relief of KShs. 2,400 (KShs. 28,800 annually) is granted to all resident individuals.

Affordable Housing Levy (AHL): A levy is deducted at 1.5% of your gross monthly salary, with a matching contribution from your employer.

Social Health Insurance Fund (SHIF): This contribution of 2.75% of your gross salary replaces the older NHIF contribution.

Pension Contributions: Contributions to a registered pension or provident fund are deductible, up to a certain limit.

- **Corporation Tax:** A flat rate of 30% on the taxable profits of resident companies and 37.5% on Non-resident Companies.
- **Turnover Tax (TOT):** A tax for small and micro-enterprises with an annual turnover between Ksh 1 million and Ksh 50 million, charged at 1% of gross sales.
- **Value Added Tax (VAT):** A tax on goods and services sold within or imported into Kenya. The standard rate is 16%, 8% for petroleum Oils and other supplies are Zero rated; for example, Exports, Goods supplied to EPZ(Export Processing Zone) , Goods listed in the second schedule of the VAT ACT, Privileged persons and public bodies.

- **Withholding Tax (WHT):** A tax on payments such as interest, dividends, rent, and management or professional fees. The rates vary depending on the type of income and residency of the recipient.
- **Capital Gains Tax (CGT):** A tax on the gains made from the transfer of property, currently at a rate of 5%.
- **Customs and Excise Duty:** Taxes levied on goods imported into or manufactured within Kenya.
 - ❖ Custom Duty is tax imposed on Imports. The average rate is 25% but this tax is levied at rates between 0% - 100%.
 - ❖ Excise Duty is tax imposed on Goods and services manufactured or produced in Kenya for local consumption. The rate is set at 25% or Kshs 200 per Kilo.
- **Digital Service Tax (DST):** A 1.5% tax on the gross transactional value of income from services provided through a digital marketplace.

Important tax deadlines and penalties

Tax deadlines vary depending on the tax type. Not meeting these deadlines can result in penalties:

Tax Type	Filing Due Date	Penalties for Non-Compliance
PAYE	9th of the following month.	25% of the tax due or Ksh 10,000, whichever is higher.
Individual Income Tax	30th June of the following year.	5% of the tax due or Ksh 2,000, whichever is higher.
Corporation Tax	Within six months of the end of the company's financial year.	5% of the tax due or Ksh 20,000, whichever is higher.
Turnover Tax (TOT)	20th of the following month.	Ksh 5,000 per month of default.
VAT	20th of the following month.	5% of the tax due or Ksh 10,000, whichever is higher.

Withholding Tax

Within five working days after the deduction is made.

10% of the tax involved, up to Ksh 1 million.