

UNDERSTANDING THE LEGALITIES OF MY BUSINESS

What to learn:

- *The different types of taxes*
 - *How to register a business*
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It's exciting to start a business, but you need to consider the legal aspects of setting up a business. These include:

1. Business registration process

In Kenya, it is a requirement to register your company before you begin operations.

The first step in this process is to register your business name. You can either do this at a local Huduma Centre or do it online on the [E-citizen platform](#).

You can read about the entire business registration process [here](#).

Once this is done, you have 30 days to register your business formally. You can either register it as a sole proprietorship (i.e. you own the business yourself) or as a partnership (i.e. you co-own your business with other people). Click [here](#) to read more on the types of businesses.

2. Taxation

For-profit companies are required to pay taxes under Kenyan law. The first step is to acquire a PIN for the company. According to the Kenya Revenue Authority's website, these are the requirements to obtain a PIN: A sole proprietorship uses the PIN of the owner

What documents should a Company submit while applying for a PIN?

- Copy of Certificate of Incorporation.
- Copy of CR12. (A registration document that shows who the company directors and shareholders are)
- Copy of Memorandum and Article of Association (optional).
- Copy of PIN Certificate for all of the company's directors.
- Copy of Tax Compliance certificate of all of the company's directors.
- Copy of the Acknowledgement receipt.

What documents should a Partnership submit while applying for a PIN?

- Copy of the Acknowledgement receipt.
- PIN Certificate for all of the partners (needs to be on iTax).
- Deed of a partnership (optional).
- Tax Compliance certificate of the partners (optional)

Types of taxes

These are some common taxes you should expect to pay as a company operating in Kenya:

1. **Corporation tax** - This is a tax levied on all registered companies in Kenya. It amounts to 30 % of all profits for resident companies.
2. **PAYE (Pay As You Earn)** - Companies with employees are expected to submit taxes deducted from their salaries based on the current rates.
3. **Value Added Tax (VAT)** - Value Added Tax is charged on the supply of taxable goods or services made or provided in Kenya and importing taxable goods or services into Kenya. The current rate is 16%

Click [here](#) to be able to access the link to the KRA company tax(es) form.

Depending on your business's nature, you may also have to pay additional taxes such as excise duty, rental tax and Capital Gains Tax.

Note that in Kenya, companies are required to file their tax returns once a year. Failure in submitting a **return** or after the due date or submission of a **return** without paying the due **tax** - a default penalty of Ksh. 10,000 or the 5% of the **tax** due whichever is the higher plus an additional 2% interest per month compounded.

Offences and penalties of KRA -

<https://www.kra.go.ke/en/business/business-compliance-penalties/business-how-to-file/business-offences-penalties>

It's also a good idea to get a tax compliance certificate, which is a requirement when applying for government tenders. Some companies also request this certificate before partnering with another company.

3. NSSF and NHIF

You will also be required to get a number from the National Social Security Fund (NSSF), which is the government's pension collection body; and the National Health Insurance Fund (NHIF) Both can be applied online.

3. Permits and certificates

If your business has a physical space, you will be required to pay for your county government's business permit. You will also need a fire safety certificate.

Other possible permits include health permits (for those operating food production businesses or salons), advertising signage and so on.

Additional Resources

1. How to register a company online:
<https://www.tuko.co.ke/264683-how-register-a-company-kenya-online-2019.html>
2. What is a CR12, and how is it issued in Kenya:
<https://capitaregistrars.co.ke/what-is-a-company-cr-12-and-how-is-it-issued-in-kenya/>
3. Taxation for companies and partnerships:
<https://www.kra.go.ke/en/business/companies-partnerships/companies-partnerships-pin-taxes/company-partnerships-types-of-taxes>