

**THE FINANCE BILL, 2025**

**A Bill for**

**AN ACT of Parliament to amend the laws relating to various taxes and duties; and for matters incidental thereto**

**ENACTED** by the Parliament of Kenya, as follows—

**PART I—PRELIMINARY**

Short title and commencement.

1. This Act may be cited as the Finance Act, 2025 and shall come into operation as follows—

- (a) sections 12 and 56, on the 1st of January, 2026; and
- (b) all other sections, on 1st July, 2025.

**PART II—INCOME TAX**

Amendment of section 2 of Cap. 470.

2. Section 2 of the Income Tax Act is amended—

- (a) in subsection (1)—
  - (i) in the definition of “debenture”, by deleting the expression “and, for the purposes of paragraphs (d) and (e) of section 7(1) of this Act, includes any loan or loan stock, whether secured or unsecured”;
  - (ii) in the definition of “individual retirement fund”, by deleting the words “subject to the Income Tax (Retirement Benefit) Rules”;
  - (iii) in paragraph (b) of the definition of “royalty”, by adding the words “and includes the distribution of software where regular payments are made for the use of the software through the distributor” immediately after the words “support fees”;
  - (iv) by deleting the definition of “compensating tax”;
  - (v) by deleting the definition of “Tribunal”;

(vi) by deleting the definition of “venture company”;

(vii) by deleting the definition of “related person” and substituting therefor the following new definition—

“related person” means, in the case of two persons, either of the persons who participates directly or indirectly in the management, control or capital of the business of the other person, and in the case of more than the two persons—

(a) any other person who participates directly or indirectly in the management, control or capital of the business of the two persons; or

(b) an individual who—

(i) participates directly or indirectly in the management, control or capital of the business of the two persons;

(ii) is associated with the two persons by marriage, consanguinity or affinity; and

(iii) the two persons participate in the management, control or capital of the business of the individual;

(b) by deleting subsection (2).

Amendment of  
section 5 of Cap.  
470.

3. Section 5 of the Income Tax Act is amended in item (iii) of the proviso to subsection (2)(a), by deleting the words “two thousand shillings” and substituting therefor the words “ten thousand shillings”.

Amendment of  
section 8 of Cap.  
470.

4. Section 8 of the Income Tax Act is amended—

(a) in subsection (1), by deleting the word “husband” and substituting therefor the word “spouse”;

- (b) by deleting subsection (4);
- (c) by deleting subsection (5);
- (d) by deleting subsection (6);
- (e) by deleting subsection (7);
- (f) by deleting subsection (9);
- (g) by deleting subsection (9A).

Amendment of  
section 10 of Cap.  
470.

5. Section 10 of the Income Tax Act is amended in subsection (1), by adding the following new paragraphs immediately after paragraph (k)—

- (l) supply of goods to a public entity;
- (m) sale of scrap.

Amendment of  
section 12E of  
Cap. 470.

6. Section 12E of the Income Tax Act is amended—

- (a) in subsection (1), by inserting the words “the internet or an electronic network including through” immediately after the words “carried out over”;
- (b) in subsection (3), by deleting paragraph (d).

Amendment of  
Section 12G of  
Cap. 470.

7. Section 12G of the Income Tax Act is amended by inserting the following new subsection immediately after section (3)—

(3A) Minimum top-up tax shall be payable by the end of the fourth month after the end of the year of income.

Amendment of  
section 15 of Cap.  
470.

8. Section 15 of the Income Tax Act is amended—

- (a) in subsection (2)—
  - (i) by deleting paragraph (g) and substituting therefor the following new paragraph—
    - (g) the amount considered as representing the diminution in value of any implement, utensil or similar article, employed in the production of gains or profits, not being machinery or plant in respect of which a deduction may be made under the Second

Schedule, at a rate of one hundred per cent in that year of income;

(ii) by deleting paragraph (i);

(iii) by deleting paragraph (j);

(iv) by deleting paragraph (r);

(v) in paragraph (w), by inserting the words “expenditure incurred in the construction of a public sports facility” immediately after the word “Act”;

(vi) by deleting paragraph (z);

(b) in subsection (3)—

(i) in paragraph (b), by inserting the words “construction of” immediately after the words “applied to the”;

(ii) by deleting paragraph (f);

(c) in subsection (4), by inserting the word “five” immediately after the word “succeeding”;

(d) by deleting subsection (5) that reads—

(5) Notwithstanding subsection (4), the Cabinet Secretary 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.

(e) in subsection (7)(a), by deleting the word “seven”.

Amendment of  
section 16 of Cap.  
470.

**9.** Section 16 of the Income Tax Act is amended—

(a) in subsection (2)(c), by deleting the words “including compensating tax”;

(b) by deleting subsection (4).

Amendment of  
section 18 of Cap.  
470.

**10.** Section 18 of the Income Tax Act is amended by deleting subsection (6).

Amendment of  
section 18D of  
Cap. 470.

**11.** Section 18D of the Income Tax Act is amended—



(a) in subsection (8), by deleting the words “as a surrogate parent entity” and substituting therefor the words “to file a country-by-country report and notify the Commissioner by the last day of the reporting financial year of that group in such form as the Commissioner may specify”;

(b) by deleting subsection (9).

Insertion of a new  
section 18G to  
Cap. 470

**12.** The Income Tax Act is amended by inserting the following new section immediately after section 18F—

Advance pricing  
agreement.

**18G.** (1) The Commissioner may enter into an advance pricing agreement with a person who undertakes a transaction contemplated under section 18(3) or section 18A.

(2) The amount which would have been expected to accrue if that business had been conducted by an independent person dealing at arm’s length contemplated under section 18(3) or section 18A, shall be determined in accordance with the advance pricing agreement entered into under subsection (1).

(3) The advance pricing agreement entered into under subsection (1) shall be valid for a period not exceeding five consecutive years.

(4) Where the Commissioner determines that the person referred to in subsection (1) entered into the advance pricing agreement through misrepresentation of facts, the Commissioner shall declare the agreement void and issue a notice of the declaration in writing, to the person.

(5) The Cabinet Secretary may make regulations for the better implementation of this section.

Amendment of  
section 19 of Cap.  
470.

**13.** Section 19 of the Income Tax Act is amended—

- (a) in subsection (5)—
  - (i) in paragraph (a), by deleting the words “life fund” and substituting therefor the words “life insurance fund”;
  - (ii) in paragraph (b), by deleting the words “life fund” and substituting therefor the words “life insurance fund”;
- (b) in subsection (5A), by deleting the words “life fund” and substituting therefor the words “life insurance fund” wherever it occurs;
- (c) in the proviso to subsection (5A), by deleting the words “life fund” and substituting therefor the words “life insurance fund”;
- (d) in subsection (6), by deleting the words “life fund” appearing in paragraph (b) and substituting therefor the words “life insurance fund”;
- (e) in subsection (6A), by deleting the words “life fund” and substituting therefor the words “life insurance fund” wherever it occurs;
- (f) in the proviso to subsection (6A), by deleting the words “life fund” and substituting therefor the words “life insurance fund”.

Amendment of  
section 21 of Cap.  
470.

**14.** Section 21 of the Income Tax Act is amended in subsection (3), by deleting the definition of “gross investment receipts”.

Amendment of  
section 27 of Cap.  
470.

**15.** Section 27 of the Income Tax Act is amended by inserting the following new subsection immediately after subsection (1C)—

(1D) Where the Commissioner does not comply with subsection (1C), the application shall be deemed allowed.

Amendment of  
section 35 of Cap.  
470.

**16.** Section 35 of the Income Tax is amended—

- (a) in subsection (1), by adding the following new paragraph immediately after paragraph (t)—

(u) gains or profits which are chargeable to tax under section 9(1) derived from the business of a ship owner or charterer;

(b) by deleting subsection (6A);

(c) by deleting subsection (6C);

(d) by deleting subsection (6E).

Amendment of  
section 37 of Cap.  
470.

**17.** Section 37 of the Income Tax Act is amended—

(a) by inserting the following new subsection immediately after subsection (1)—

(1A) An employer shall, before computing the tax deductible under subsection (1), grant an employee all applicable deductions, reliefs and exemptions provided under this Act.

(b) in subsection (2), by deleting paragraph (c);

(c) by deleting subsection (5B).

Amendment of  
section 39 of Cap.  
470.

**18.** Section 39 of the Income Tax Act is amended in subsection (1)(a), by deleting the expression “section 17A (in respect of a person other than an individual)”.

Amendment of  
section 52B of  
Cap. 470.

**19.** Section 52B of the Income Tax Act is amended—

(a) by deleting subsection (4) and substituting therefor the following new subsection—

(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 dividend distributed out of untaxed gains or profits due with respect to such tax year and the tax so calculated shall be payable at the due date for the self-assessment.

(b) by deleting subsection (5).

Repeal of section  
54B of Cap. 470.

**20.** The Income Tax Act is amended by repealing section 54B.

Repeal of section  
72B of Cap. 470.

**21.** The Income Tax Act is amended by repealing section 72B.

Repeal of section  
72C of Cap. 470.

**22.** The Income Tax Act is amended by repealing section 72C.

Amendment of  
section 104 of  
Cap. 470.

**23.** Section 104 of the Income Tax Act is amended by deleting the words “in the manner provided by section 101 of this Act”.

Amendment of  
section 109 of  
Cap. 470.

**24.** Section 109 of the Income Tax Act is amended in subsection (1)—

- (a) in paragraph (b), by deleting the words “fails to furnish a full and true return in accordance with the requirements of any notice served on him under this Act or”;
- (b) by deleting paragraph (c);
- (c) by deleting paragraph (f);
- (d) by deleting paragraph (h);
- (e) by deleting paragraph (j) and substituting therefor the following new paragraph—
  - (j) fails to supply prescribed certificates as is required by section 37.

Repeal of section  
131 of Cap. 470.

**25.** The Income Tax Act is amended by repealing section 131.

Amendment of the  
First Schedule to  
Cap. 470.

**26.** The First Schedule to the Income Tax Act is amended in Part I—

- (a) in subparagraph (B) of the first further proviso to paragraph 10, by deleting the word “sixty” and substituting therefor the word “ninety”;
- (b) by deleting paragraph 45A and substituting therefor the following new paragraph—

45A. All contributions and other payments into and out of the Social Health Insurance Fund established under section 25 of the Social Health Insurance Act, 2023.
- (c) in the proviso to paragraph 53—
  - (i) by deleting subparagraph (a) and substituting therefor the following new subparagraph—
    - (a) payment of gratuity;

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- (ii) by inserting the following new subparagraph immediately after subparagraph (a)—
  - (aa) other allowances paid under a public pension scheme;
- (d) by deleting paragraph 63;
- (e) by deleting paragraph 72 and substituting therefor the following new paragraph—
  - 72. Gains on transfer of property within a special economic zone by a licensed special economic zone developer, enterprise or operator.
- (f) by adding the following new paragraphs immediately after paragraph 73—
  - 74. Gains 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);
  - 75. Dividends paid by a company certified by the Nairobi International Financial Centre Authority where the company reinvests at least two hundred and fifty million shillings in Kenya, in that year of income.

Amendment of the  
Second Schedule  
to Cap. 470.

27. The Second Schedule to the Income Tax Act is amended in paragraph 1—

- (a) by deleting subparagraph (1A);
- (b) by deleting subparagraph (1B).

Amendment of the  
Third Schedule to  
Cap. 470

28. The Third Schedule to the Income Tax Act is amended in Head B—

- (a) in paragraph 1, by inserting the words “other than that of the total income comprising fringe benefits and the qualifying interest” immediately after the word “tax”;
- (b) in paragraph 2—
  - (i) by deleting subparagraph (g)(ii);
  - (ii) by deleting subparagraph (i);

- (iii) by deleting subparagraph (j);
- (iv) by inserting the following new subparagraphs immediately after subparagraph (n)—
  - (na) in respect of a company certified by the Nairobi International Financial Centre Authority, fifteen per cent for the first ten years from the year of commencement of its operations and twenty per cent for the subsequent ten years of its operation where—
    - (i) the company invests at least three billion shillings in Kenya in the first three years of operation;
    - (ii) the company is a holding company, at least seventy per cent of its employees in senior management are citizens of Kenya; and
    - (iii) the regional headquarters of the company is in Kenya, at least sixty per cent of its employees in senior management are citizens of Kenya;
  - (nb) in the case of a start-up certified by the Nairobi International Financial Centre Authority, fifteen per cent for the first three years and twenty per cent for the succeeding four years;
- (c) in paragraph 5—
  - (i) in subparagraph (e), by adding the words “which is a final tax” after the word “payable”;
  - (ii) in subparagraph (h), by inserting the following proviso immediately after item (iii)—

Provided that the tax paid under this paragraph is a final tax.
- (d) in paragraph 13, by deleting the words “three per cent” and substituting therefor the words “one point five per cent”;

(e) by adding the following new paragraph immediately after paragraph 14—

15. The rate of tax on fringe benefits provided by an employer shall be the resident corporate rate of tax for that year of income.

Amendment of the  
Eighth Schedule to  
Cap. 470.

**29.** Part I of the Eighth Schedule to the Income Tax Act is amended—

(a) in paragraph 1—

(i) in subparagraph (1), by deleting the definition of “company” and substituting therefor the following new definition—

“company” includes a body of persons which carries on the activities of a members’ club and a trade association that is deemed to be carrying on business under section 21;

(ii) by deleting subparagraph (3);

(b) in paragraph 6(2)(h)(v), by inserting the words “an individual” immediately after the word “where”.

### **PART III—VALUE ADDED TAX**

Amendment of  
section of Cap.  
476.

**30.** Section 2 of the Value Added Tax Act is amended in subsection (1), by inserting the following new definition in proper alphabetical sequence—

“tax invoice” includes an electronic tax invoice issued in accordance with section 23A of the Tax Procedures Act.

Cap. 469B.

Amendment of  
section 8 of Cap.  
476.

**31.** Section 8 of the Value Added Tax Act is amended—

(a) in subsection (2)—

(i) by inserting the word “and” after the words “unregistered person”;

(ii) by deleting paragraph (c);

(b) in subsection (3), by deleting the words “broadcast television” appearing in paragraph (g) and substituting therefor the words



“internet, radio or television broadcasting services”.

Amendment of  
section 17 of Cap.  
476.

**32.** Section 17 of the Value Added Tax Act is amended in subsection (5)—

- (a) by deleting paragraph (c);
- (b) by deleting paragraph (d) and substituting therefor with the following new paragraph—
  - (d) the registered person lodges the claim for refund of the excess tax within twelve months from the date the tax becomes due and payable;
- (c) by deleting paragraph (e).

Amendment of  
section 31 of Cap.  
476.

**33.** Section 31 of the Value Added Tax Act is amended in subsection (1)—

- (a) in paragraph (a), by deleting the words “three years” and substituting therefor the words “two years”;
- (b) in the proviso—
  - (i) by inserting the following new paragraph immediately after paragraph (c)—
    - (ca) the amount may be used to offset any other value added tax liability, upon approval by the Commissioner;
  - (ii) by deleting paragraph (d);
  - (iii) by deleting paragraph (e).

Amendment of  
section 42 of Cap.  
476.

**34.** Section 42 of the Value Added Tax Act is amended in subsection (1), by deleting the word “taxable”.

Insertion of a new  
section 66A in  
Cap. 476.

**35.** The Value Added Tax Act is amended by inserting the following new section immediately after section 66—

Liability to pay  
tax for exempt  
and zero-rated  
supplies.

**66A.** Where a person imports or purchases goods or services which are exempt or zero-rated and the person subsequently disposes of, or uses, the goods or services supplied in a manner inconsistent with the purpose for which the goods or services were exempted or zero rated, the person shall be liable to

pay tax on the goods or services at the applicable rate at the time of disposal or inconsistent use.

Amendment of  
First Schedule to  
Cap. 476.

**36.** Section A of Part I of the First Schedule to the Value Added Tax Act is amended—

(a) in the table—

(i) in the description “food supplements”, by deleting the tariff number and substituting therefor the following new tariff number “2106.90.30”;

(ii) by deleting the description “Other medicaments, containing alkaloids or derivatives thereof, put up in measured doses or in forms or packings for retail sale” and the corresponding tariff numbers;

(b) by deleting paragraph 49;

(c) in paragraph 51, by inserting the words “excluding fuels, lubricants and tyres for vehicles” immediately after the words “funded project”;

(d) by deleting paragraph 58;

(e) by deleting paragraph 62:

Provided that an exemption that had been approved pursuant to paragraph 62 before the deletion of paragraph 62 came into effect shall continue to apply until the 30th June, 2026;

(f) by deleting paragraph 63:

Provided that an exemption that had been approved pursuant to paragraph 63 before the deletion of paragraph 63 came into effect shall continue to apply until the 30th June, 2026;

(g) in paragraph 89, by deleting the words “other aircraft spare” and substituting therefor the word “aircraft”;

(h) by deleting paragraph 91;

(i) by deleting paragraph 109:

Provided that an exemption that had been approved pursuant to paragraph 109 before the deletion of paragraph 109 came into effect shall continue to apply until the 30th June, 2026;

- (j) by deleting paragraph 112:

Provided that an exemption that had been approved pursuant to paragraph 112 before the deletion of paragraph 112 came into effect shall continue to apply until the 30th June, 2026;

- (k) by deleting paragraph 113:

Provided that an exemption that had been approved pursuant to paragraph 113 before the deletion of paragraph 113 came into effect shall continue to apply until the 30th June, 2026;

- (l) by deleting paragraph 128:

Provided that an exemption that had been approved pursuant to paragraph 128 before the deletion of paragraph 128 came into effect shall continue to apply until the 30th June, 2026;

- (m) by deleting paragraph 129:

Provided that an exemption that had been approved pursuant to paragraph 129 before the deletion of paragraph 129 came into effect shall continue to apply until the 30th June, 2026;

- (n) by deleting paragraph 143;

- (o) by deleting paragraph 144;

- (p) by adding the following new paragraphs immediately after paragraph 154—

155. Inputs or raw materials (either produced locally or imported) supplied to pharmaceutical manufacturers in Kenya for manufacturing medicaments as approved from time to time by the Cabinet Secretary in consultation with the

Cabinet Secretary for the time being responsible for matters relating to health.

156. Inputs or raw materials locally purchased or imported for the manufacture of animal feeds upon recommendation by the Cabinet Secretary for the time being responsible for agriculture.
157. Transportation of sugarcane from farms to milling factories.
158. The supply of locally assembled and manufactured mobile phones.
159. The supply of motorcycles of tariff heading 8711.60.00.
160. The supply of electric bicycles.
161. The supply of solar and lithium ion batteries.
162. The supply of electric buses of tariff heading 87.02.
163. Bioethanol vapour (BEV) stoves classified under HS Code 7321.12.00 (cooking appliances and plate warmers for liquid fuel).
164. Packaging materials for tea and coffee upon recommendation by the Cabinet Secretary for matters relating to agriculture.

Amendment of  
First Schedule to  
Cap. 476.

**37.** The Second Schedule to the Value Added Tax Act is amended in Part A—

- (a) by deleting paragraph 11;
- (b) by deleting paragraph 21;
- (c) by deleting paragraph 29;
- (d) by deleting paragraph 30;
- (e) by deleting paragraph 31;
- (f) by deleting paragraph 32;
- (g) by deleting paragraph 33;
- (h) by deleting paragraph 34;

- (i) by deleting paragraph 35.

**PART IV—EXCISE DUTY**

Amendment of the  
section 2 of Cap.  
472.

**38. Section 2 of the Excise Duty Act is amended—**

- (a) in subsection (1)—

- (i) by deleting the definition of “digital lender” and substituting therefor the following new definition—

“digital lender” means a person extending credit through an electronic medium but does not include a bank licenced under the Banking Act, a Sacco society registered under the Co-operative Societies Act or a microfinance institution licensed under the Microfinance Act ;

- (ii) by inserting the following new definition in proper alphabetical sequence—

“digital marketplace” means an online platform which enables users to sell goods or provide services to other users;

- (b) by adding the following new subsection immediately after subsection (2)—

(3) In this Act, goods shall be classified by reference to the tariff codes set out in Annex 1 to the Protocol on the Establishment of the East African Community Customs Union and in interpreting that Annex, the general rules of interpretation set out in the Annex shall apply.

Amendment of the  
section 5 of Cap.  
472.

**39. Section 5 of the Excise Duty Act is amended—**

- (a) in subsection (1), by deleting the words “through a digital platform” and substituting therefor the words “over the internet, an electronic network or through a digital marketplace” appearing in paragraph (d);

- (b) by adding the following new subsection—

(4) For the purposes of this section—

“non-resident person” means a person outside Kenya.

Amendment of the section 13 of Cap. 472.

**40.** Section 13 of the Excise Duty Act is amended—

- (a) by renumbering the existing provision as subsection (1);
- (b) by adding the following new subsection—

(2) If the place of business of the supplier is outside Kenya, the supply of services shall be deemed to be made in Kenya if the services are consumed by a person in Kenya through the internet, an electronic network or a digital marketplace.

Amendment of the section 17 of Cap. 472.

**41.** Section 17 of the Excise Duty Act is amended in subsection (1), by inserting the following words “within fourteen days of receipt of the required documents” immediately after the words “the Commissioner shall”.

Amendment of the First Schedule to Cap. 472.

**42.** Part 1 of the First Schedule to the Excise Duty Act is amended—

(a) in the second table—

- (i) by deleting the following tariff descriptions and their corresponding rates of excise duty appearing immediately after the tariff description “Articles of plastic of tariff heading 3923.30.00 and 3923.90.90”—
  - (A) Imported eggs of tariff heading 04.07;
  - (B) Imported onions of tariff heading 07.03;
  - (C) Imported potatoes, potato crisps and potato chips of tariff heading 07.01;
- (ii) in the description “Coal”, by deleting the word “customs” appearing in the corresponding rate of excise duty and substituting therefor the word “excisable”;
- (iii) by deleting the description “Imported Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls of tariff number 3919.90.90, 3920.10.90, 3920.43.90, 3920.62.90 and 3921.19.90 but excluding those originating



from East African Community Partner States that meet the East African Community Rules of Origin” and the corresponding rate of Excise Duty;

- (iv) in the description “Imported Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked of tariff 7005 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin” by deleting the corresponding rate of Excise Duty and substituting therefor the new rate of Excise Duty “35% of excisable value or KSh.200 per kg, whichever is higher”;
- (v) by deleting the description “Printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin” and the corresponding rates of Excise Duty, appearing immediately after the description “Imported cartons, boxes and cases of corrugated paper or paper board and imported folding cartons, boxes and case of non-corrugated paper or paper board and imported skillets, free-hinge lid packets of tariff heading 4819.10.00, 4819.20.10 and 4819.20.90”;
- (vi) by deleting the description “Printed paper or paperboard of tariff heading 4811.41.90 or 4811.49.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin” and the corresponding rates of Excise Duty, appearing immediately after the description “Imported paper or paper board, labels of all kinds whether or not printed of tariff heading 4821.10.00 and 4821.90.00 but excluding



those originating from East African Community Partner States that meet the East African Community Rules of Origin”;

(vii) by adding the following new descriptions and corresponding rates of excise duty—

<i>Tariff Description</i>	<i>Rate of excise duty</i>
Imported other self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls of tariff number 3919.90.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of excisable value or Kshs. 200 per Kilogramme, whichever is higher.
Imported printed polymers of ethylene of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.10.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of excisable value or Kshs. 200 per Kilogramme, whichever is higher.
Imported printed polymers of vinyl chloride containing by weight not less than 6% of other plates, sheets, film, foil and strip, of plastics, noncellular and not reinforced, laminated, supported or similarly combined with other materials of tariff number 3920.43.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of excisable value or Kshs. 200 per Kilogramme, whichever is higher.
Imported printed poly (ethylene terephthalate) of polycarbonates, alkyd resins, polyallyl esters or other polyesters of other plates, sheets, film, foil and strip, of plastics, noncellular and not	25% of excisable value or Ksh. 200 per Kilogramme,

reinforced, laminated, supported or similarly of tariff number 3920.62.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	whichever is higher.
Imported printed cellular of other plastics of other plates, sheets, film, foil and strip of tariff number 3921.19.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of excisable value or Kshs. 200 per Kilogramme, whichever is higher.
Printed self-adhesive paper of tariff number 4811.41.90, but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of excisable value or Ksh. 200 per Kilogramme, whichever is higher.
Gummed paper and paperboard of tariff number 4811.49.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of excisable value or Ksh. 200 per Kilogramme, whichever is higher.
Spirits of undenatured extra neutral alcohol of alcoholic strength exceeding 90% purchased by licensed manufacturers of spirituous beverages.	Ksh. 500 per litre

#### **PART VII—TAX PROCEDURES**

Amendment of  
section 23A of  
Cap. 469B.

**43.** Section 23A of the Tax Procedures Act is amended by deleting subsection (4) and substituting therefor the following new subsection—

(4) The electronic tax invoice referred to in subsection (3) may exclude payments of emoluments, payments for imports, payments of interest, transactions for accounting for investment allowances, airline passenger

ticketing, and payments subject to withholding tax that is a final tax.

Amendment of  
section 31 of Cap.  
469B.

**44.** Section 31 of the Tax Procedures Act is amended by inserting the following new subsection immediately after subsection (8)—

(8A) Where the Commissioner has made an amended assessment, the Commissioner shall include in the notification under subsection (8) the reasons for the amended assessment.

Amendment of  
section 39A of  
Cap. 469B.

**45.** Section 39A of the Tax Procedures Act is amended by—

(a) renumbering the existing provision as subsection (1);

(b) adding the following new subsection immediately after subsection (1)—

(2) Despite subsection (1), a person who does not deduct, withhold or remit tax on a payment shall not be required to pay the principal tax not deducted, withheld or remitted where the recipient of the payment has paid and accounted for the full principal tax and the tax not deducted, withheld or remitted.

Amendment of  
section 40 of Cap.  
469B.

**46.** Section 40 of the Tax Procedures Act is amended—

(a) in subsection (2), by inserting the words “or stamp duty” immediately after the word “fee”;

(b) by deleting the proviso to subsection (5) and substituting therefor the following new proviso—

Provided that—

(a) where a plan has been agreed between the taxpayer and the Commissioner, the liability shall be settled within the agreed payment plan before the notification by the Commissioner is lifted; and

(b) the transfer of the property shall be exempt from stamp duty.

Amendment of  
section 42 of Cap.  
469B.

**47.** Section 42 of the Tax Procedures Act is amended—

- (a) in subsection (1), by inserting the words “or a non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
- (b) in subsection (2)—
  - (i) in the opening statement, by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
  - (ii) in paragraph (a), by adding the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
  - (iii) in paragraph (b), by adding the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
  - (iv) in paragraph (c), by adding the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
  - (v) in paragraph (d), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer” wherever it occurs;
- (c) in subsection (3), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
- (d) in subsection (4)(b), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
- (e) in subsection (5), by deleting the words “taxpayer becomes due to the taxpayer or held on the taxpayer’s behalf” and substituting therefor the words “taxpayer or non-resident person who is subject to tax in Kenya, becomes due to the taxpayer or non-resident person who is subject to tax in Kenya, or held on behalf of the taxpayer or non-resident person who is subject to tax in Kenya”;

- (f) in subsection (6), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
- (g) in subsection (8), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
- (h) in subsection (9), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
- (i) in subsection (10), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer” wherever it occurs;
- (j) in subsection (11), by adding the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
- (k) in subsection (12), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer” wherever it occurs;
- (l) in subsection (13), by deleting the word “taxpayer” and substituting therefor the expression “agent under subsection (2) or the non-resident person who is subject to tax in Kenya”;
- (m) in subsection (14)—
  - (i) in paragraph (a), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
  - (ii) in paragraph (b), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
  - (iii) in paragraph (c), by inserting the words “or the non-resident person who is subject to tax in Kenya” immediately after the word “taxpayer”;
  - (iv) in paragraph (d), by inserting the words “or the non-resident person who is subject to tax in

Kenya” immediately after the word “taxpayer”;

(v) by deleting paragraph (e).

Amendment of  
section 42A of  
Cap. 469B.

**48.** Section 42A of the Tax Procedures Act is amended by deleting subsection (4D).

Repeal of section  
42B of Cap. 469B.

**49.** The Tax Procedures Act is amended by repealing section 42B.

Amendment of  
section 47 of Cap.  
469B.

**50.** Section 47 of the Tax Procedures Act is amended—

(a) in subsection (1)(a)(i), by deleting the words “and input value added tax”;

(b) in subsection (2), by deleting the words “ninety days” and substituting therefor the words “one hundred and twenty days”;

(c) in subsection (4A), by deleting the words “one hundred and twenty days” and substituting therefor the words “one hundred and eighty days”.

Amendment of  
section 51 of Cap.  
469B.

**51.** Section 51 of the Tax Procedures Act is amended by inserting the following new subsection immediately after subsection (7A)—

(7B) Where the Commissioner has allowed the application for late objection and the objection has been validly lodged, the period within which the Commissioner may make an objection decision shall be computed on the day the objection is lodged.

Amendment of  
section 59A of  
Cap. 469B.

**52.** Section 59A of the Tax Procedures Act is amended by deleting subsection (1B).

Amendment of  
section 66 of Cap.  
469B.

**53.** Section 66 of the Tax Procedures Act is amended in subsection (1), by deleting paragraph (a)(iii).

Amendment of  
section 77 of Cap.  
469B.

**54.** Section 77 of the Tax Procedures Act is amended by deleting subsection (2).

Amendment of  
section 83 of Cap.  
469B.

**55.** Section 83 of the Tax Procedures Act is amended in subsection (1), by inserting the words “fails to submit a tax return or” immediately after the words “person who”.



Amendment of  
section 89 of Cap.  
469B.

**56.** Section 89 of the Tax Procedures Act is amended by inserting the following new subsection immediately after subsection (5)—

(5A) The Cabinet Secretary may, on the recommendation of the Commissioner, waive the whole or part of any penalty or interest imposed under this Act where the liability to pay the penalty or interest was due to—

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

**PART VI—MISCELLANEOUS FEES AND LEVIES**

Amendment of  
section 9B of Cap.  
469C.

**57.** Section 9B of the Miscellaneous Fees and Levies Act is amended—

- (a) in the marginal note, by deleting the words “to excess tax refunds”;
- (b) by deleting the expression “provisions of section 47 of the”.

Amendment of the  
Second Schedule  
of Cap. 469C.

**58.** The Second Schedule to the Miscellaneous Fees and Levies Act is amended—

- (a) in Part A—
  - (i) by deleting paragraph (xv);
  - (ii) by deleting paragraph (xva) substituting therefor the following new paragraph—
    - (xva) all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00;
- (b) in Part B—
  - (i) by deleting paragraph (xiii);



(ii) by deleting paragraph (xvi) and substituting therefor the following new paragraph—

(xvi) all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00.

Amendment of the  
Third Schedule of  
Cap. 469C.

**59. The Third Schedule to the Miscellaneous Fees and Levies Act is amended—**

- (a) in tariff description “Semi-finished products of iron or non-alloy steel containing, by weight, <0.25% of carbon; of rectangular (including square) cross-section, the width measuring less than twice the thickness”, by deleting the expression “17.5%” appearing in the corresponding export and investment promotion levy rate and substituting therefor the expression “5%”;
- (b) in tariff description “Bars and rods of iron or non-alloy steel, hot-rolled, in irregularly wound coils of circular cross-section measuring less than 14 mm in diameter of cross section measuring less than 8 mm”, by deleting the expression “17.5%” appearing in the corresponding export and investment promotion levy rate and substituting therefor the expression “5%”;
- (c) in tariff description “Bars and rods of iron or non-alloy steel, hot-rolled, in irregularly wound coils of circular cross-section measuring less than 14mm in diameter; other”, by deleting the expression “17.5%” appearing in the corresponding tariff number and export and investment promotion levy rate and substituting therefor the expression “5%”.

**MEMORANDUM OF OBJECTS AND REASONS**

The Finance Bill, 2025, has been submitted by the Cabinet Secretary for the National Treasury and Economic Planning and formulates proposals relating to revenue raising measures including liability to, and collection of taxes.

The Bill proposes to amend the Income Tax Act (Cap. 470), the Value Added Tax Act (Cap. 476), the Excise Duty Act (Cap. 472), the Tax Procedures Act (Cap. 469B) and the Miscellaneous Fees and Levies Act (Cap. 469C).

**HON. KIMANI KURIA MP,**  
*Chairperson,  
Finance and National Planning Committee.*

