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Kenya – Increase in Hospital Insurance Fund Rates

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flash Alert

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In Kenya, the National Hospital Insurance Fund (NHIF) rates have undergone a significant revision upwards with effect from 1 April 2015.¹

Why This Matters

The higher NHIF rates to be levied could mean a heavier social security tax burden for international assignees in Kenya and Kenyan assignees overseas. This could have the result of increasing employers' international assignment costs. Since most expatriates have a separate medical scheme, this presents an additional cost with no direct benefits to the expatriate population both inbound and outbound.

These rate changes may also impact cost projections for future assignees and budgeting for international assignments to Kenya or from Kenya where the assignee will be subject to Kenyan NHIF. Finally, where appropriate, adjustments by payroll administrators to withholdings should also be made.

The default penalty for non-compliance is five times the contribution.

Background

In Kenya there are two types of social security contributions: National Social Security Scheme (NSSF) and National Hospital Insurance Fund (NHIF). NHIF is an employees' contribution scheme administered by the government under the NHIF Act. The objective of the scheme is to subsidize employees' hospitalization costs.

Deductions are operated through the monthly payroll and applicable to all employees, including expatriates. There is no exemption to contributions.

Employers may provide employees with additional medical services, but these do not exempt the employer from deducting and remitting employees' contributions to NHIF.

New Rates

The NHIF rates are graduated according to gross income. With new rates for the NHIF, the lowest contribution shall be **KShs 150** (approx USD 1.7) per month on monthly income up to KShs 5,999, while the highest contribution shall be **KShs 1,700** (approx USD 18.9) on a monthly income over KShs 100,000.

Previously NHIF contributions ranged from **KShs 30** to a maximum of **KShs 320** per month.

Footnote:

1 See "The National Hospital Insurance Fund (Standard and Special Contributions) Regulations, 2015" published in the *Kenya Gazette Supplement* No. 12, dated 6 February 2015. For the text of the National Hospital Insurance Fund Act, see: <http://www.kenyalaw.org/8181/exist/kenyalex/actview.xql?actid=CAP.255>.

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KPMG's Global Mobility Forum in Rome!

Deploying Talent in the Borderless Economy

If you think it's become easier to deploy talent in the global economy, it's time to reconsider. The trend toward stricter immigration regulation defies the borderless economy. Taxes present significant hurdles to the free movement of employees across geographies. The diversity of labor laws complicates decisions with respect to benefit plan offerings and participation in the cross-border environment. The cost of compliance has never been higher . . . and it's rising.

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Venue: Rome Cavalieri Hotel, Rome Italy

For further information please contact your local KPMG People Services or Global Mobility Services representative.

The information contained in this newsletter was submitted by the KPMG International member firm in Kenya. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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