

GMS Flash Alert



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Kenya - Budget Makes Adjustments to Tax Bands, Personal Relief

Kenya's government is planning to expand the five individual income tax bands and increase the resident person relief. These measures were announced recently in the budget speech.¹

WHY THIS MATTERS

Companies with international assignees subject to Kenyan tax law may see changes in their international assignment-related (and their employment-related) costs as a result of these measures. The changes will marginally affect tax equalization models.

Cost projections and budgeting for assignments to Kenya and for assignees outside Kenya still subject to Kenyan taxation should reflect these changes once they come into force. Where appropriate, adjustments by payroll administrators to withholdings will also have to be made.

Expansion of Income Tax Bands and Increase in Personal Relief

In Kenya, individuals are taxed based on graduated tax rates. In the budget proposals for the financial year 2016/2017, the government has proposed to expand the individual tax bands and personal relief by 10 percent effectively.

The amendments are due to take effect 1 January 2017.

The table on the next page features the current and the proposed new tax bands.

Tax Rate	Proposed Tax Band Per Annum (KES)	Current Tax Band Per Annum (KES)
10% on the first	134,164	121,968
15% on the next	126,403	114,912
20% on the next	126,403	114,912
25% on the next	126,403	114,912
30% on all income over	513,373	466,704

Resident Personal Relief

The government is proposing to increase the resident personal relief from KES 13,944 to KES 15,360 per annum.

KPMG NOTE: Next Steps

The proposals are contained in a Finance Bill which will be enacted as the Finance Act, thereby confirming (or, in the interim, dropping) the new changes. However, should the Finance Bill not be enacted into the Finance Act by 1 January 2017, the changes are expected to take effect automatically on 1 January 2017.

FOOTNOTE:

1 For the budget speech and related documentation, go to the National Treasury Web site: <http://www.treasury.go.ke/>

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KES 1 = EUR 0.0090
KES 1 = USD 0.00987
KES 1 = GBP 0.0075

Contact us

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