

ADDENDUM:

TAX CHANGES IN RESPONSE TO COVID19- PANDEMIC BY THE GOVERNMENT

KENYA



In partnership with:



The Coronavirus (COVID-19) has become a major health and economic crisis that Kenya and the world is grappling with. In response, the Government of Kenya has instituted a relief program to cushion affected persons from the economic and social disruption caused by the virus.

The following are some of the tax relief or tax interventions that have been put in place:

1. 100% Tax Relief for “low income earners”

A 100% tax relief for persons earning gross monthly income of up to KES 24,000 (equivalent to about USD 240). This category of people is generally classified as “low income earners” and the relief will avail additional disposal income to them.

2. Reduction of highest PAYE band

Reduction of the top Pay-As-You-Earn (PAYE) rate from 30% to 25%. This incentive is expected to align with the 100% tax relief for low income earners, allowing the government to channel additional income to cushion the affected individuals from the impact of the virus.

3. Reduction of corporate tax

Reduction of the resident corporate income tax from 30% to 25% to provide companies with additional resources to sustain their operations in the difficult time.

4. Reduction of Turnover tax

Reduction of the rate of turnover tax from 3% to 1% for all Micro, Small and Medium Enterprises (MSMEs). This will provide a cushion to the small businesses which will be negatively impacted by the lockdowns the government is implementing to contain the spread of the virus.

5. Reduction of Value Added Tax (VAT)

Reduction of the value of VAT from 16% to 14%, effectively placing Kenya’s standard rate of VAT 4 percentage points lower than the rest of East Africa. The rate of VAT influences consumer behaviour as it has a direct impact on the price consumers pay for goods and services. It is expected that suppliers will pass on the reduction in the VAT rate to consumers through reductions in the price of goods and services.

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