

StratEdge Consulting Ltd

...giving you a strategic edge...



TAX



**StratEdge
Consulting**

GIVING YOU A STRATEGIC EDGE

SME TAX GUIDE FOR KENYA 2023

OCTOBER | 2023

ACRONYMS	2
SUMMARY	3
TAX OBLIGATIONS	4
DIRECT TAX OBLIGATIONS FOR SMEs KENYA	4
Turnover tax filing guide	9
PAYE filing and payment guide	9
Withholding tax	14
INDIRECT TAX OBLIGATIONS FOR SMEs IN KENYA	20
VAT	24
REFERENCES	26

ACRONYMS

	Acronym	Full Form
1.	SME	Small and Medium Enterprise
2.	GDP	Gross Domestic Product
3.	MSME	Micro, Small and Medium Enterprise
4.	PAYE	Pay As You Earn
5.	USAID	United States Agency for International Development
6.	KRA	Kenya Revenue Authority
7.	VAT	Value Added Tax
8.	RTGS	Real Time Gross Settlement
9.	PIN	Personal Identification Number
10.	KSh	Kenyan Shilling

SUMMARY

Small and Medium Enterprises (SMEs) form the cornerstone of the Kenyan economy, contributing significantly to employment and fostering economic growth. These enterprises typically employ between 10 to 100 individuals and maintain annual sales below the 1 million Kenyan shilling mark. Kenya proudly hosts a thriving ecosystem of micro, small, and medium-sized enterprises (MSMEs), encompassing approximately 1.5 million formally registered entities, in addition to an estimated 5 million informal operators. This sector stands as a robust pillar of the Kenyan economy, collectively accounting for an impressive 30 percent of the nation's GDP.¹

The significance of MSMEs transcends mere economic statistics, as they play a crucial role in providing livelihoods that extend beyond the confines of the agricultural sector. With over 90 percent of Kenya's labor force deriving their sustenance from these enterprises, MSMEs emerge as essential drivers in poverty alleviation and the overall advancement of the nation's economy. Spanning a diverse array of sectors, ranging from wholesale and retail trade to manufacturing and food services, these businesses are now an integral part of Kenyan economic activity, with annual turnovers frequently reaching 50 million Kenyan shillings. As Kenya charts the course for its economic future, the elevation and empowerment of MSMEs take center stage, offering the promise of heightened productivity, enhanced profitability, and regional prosperity.²

¹ USAID. "Small Business Development Centers." USAID. Last Modified April 3, 2023 <https://www.usaid.gov/kenya/document/small-business-development-centers#>

² F. Cheruiyot. "SMEs in Kenya: Meaning, Characteristics & Economic Benefits." IntaSend. Last modified February 22nd, 2023. <https://intasend.com/payments/what-is-an-sme-in-kenya-meaning-of-sme/>

TAX OBLIGATIONS

DIRECT TAX OBLIGATIONS FOR SMEs KENYA

As integral players in the nation's economic landscape, Small and Medium-sized Enterprises (SMEs) bear the responsibility of contributing to the country's fiscal structure through a range of direct taxes. In this comprehensive guide, we will dive deeper into these direct tax obligations, shedding light on what SMEs are mandated to pay and clarifying the procedures for their tax filings. By gaining a thorough understanding of these fiscal responsibilities, SMEs are better equipped to operate within the legal framework, ensuring compliance while continuing to make substantial contributions to Kenya's economic advancement.

TAX HEADS	TAX RATES	PAYMENTS
Turnover tax	3%	<ul style="list-style-type: none"> • In the context of Small and Medium-sized Enterprises (SMEs), when their annual turnover falls within the range of 1 million to 25 million, they are mandated to pay a Turnover Tax at a fixed rate of 3%. This specific tax requirement is designed to ensure that businesses within this revenue bracket contribute their fair share to the tax system. • To facilitate a smooth and efficient tax collection process, SMEs need to be mindful of the Turnover Tax due date. It's important to note that this tax should be settled on or before the 20th day of the following month.³

³ Kenya. "File & Pay." Kenya revenue authority 2023.

<https://kra.go.ke/individual/filing-paying/types-of-taxes/turnover-tax-tot#>

PAYE	10 to 35%	<ul style="list-style-type: none"> Small and Medium-sized Enterprises (SMEs) are not only responsible for paying taxes on their own income but also for ensuring that the income earned by their employees is subjected to the graduated scale of taxation. This dual responsibility emphasizes the crucial role that SMEs play in contributing to the national revenue and the equitable distribution of taxes. To maintain compliance with this taxation structure, SMEs must diligently calculate and deduct the appropriate amount of income tax from their employees' earnings and remit the deducted money to the Kenya Revenue Authority (KRA) in a timely manner. The due date for remitting these deductions to the KRA is on or before the 9th day of the month following the deduction.⁴
Corporate tax	30%	<ul style="list-style-type: none"> Small and Medium-sized Enterprises (SMEs) have a vital role in the economy and are obligated to pay corporate income tax at a rate of 30%. To make this process manageable, payments are divided into four equal installments due in the fourth, sixth, ninth, and twelfth months. The timing is based on the lesser of 110% of the prior year's tax or an estimate of the current year's liability, offering flexibility to SMEs. This structured approach ensures a balanced tax regime, supporting SME growth and contributing to the nation's fiscal health.

⁴Kenya. "File & Pay." <https://www.kra.go.ke/individual/filing-paying/types-of-taxes/paye#>

Withholding tax	3% to 30%.	<ul style="list-style-type: none"> Small and medium-sized businesses may find themselves in the position of withholding taxes on specific types of income payments. This withholding is typically applied to payments such as management fees and professional fees made to payees. It serves as a crucial mechanism to ensure that taxes are collected at the source, thus contributing to the overall tax revenue. Once the tax is withheld, businesses are obligated to remit it to the Kenya Revenue Authority (KRA) in a timely and efficient manner. The regulatory requirement stipulates that the tax withheld must be remitted within five working days following the deduction.⁵
Property rates	Varying rates	<ul style="list-style-type: none"> Property rate responsibilities could be applicable if a SME runs its operations out of a physical facility like an office, storefront, or factory. Both property owners and leaseholders are impacted by these requirements. If a SME owns the real estate, they are immediately liable for the property taxes. Contrarily, if the SME leases the property, the lessor (the owner of the real estate) may include property rate fees in the lease agreement, thus transferring these liabilities to the lessee (the SME)

⁵ KPMG, Finance Act, 2023 Analysis Kenya. KPMG, Accessed July, 2023, p. 19

<https://assets.kpmg.com/content/dam/kpmg/ke/pdf/tax/2023/KPMG%20Finance%20Act%202023%20Analysis.pdf>

Capital Gains tax	15%	<ul style="list-style-type: none">• Small and Medium-sized Enterprises (SMEs) involved in asset sales may face Capital Gains Tax, which has been effective since January 1, 2015.• This tax applies to gains from property transfers within Kenya, including profits from selling shares in foreign entities mainly tied to Kenyan property. Non-resident individuals or corporations holding over 20% of a Kenyan company's share capital may also be subject to this tax when they sell their interest.• Compliance with these tax obligations is crucial for SMEs to manage their finances effectively.⁶
--------------------------	-----	--

⁶ Kenya. "File & Pay." <https://kra.go.ke/individual/filing-paying/types-of-taxes/capital-gains-tax>

Turnover tax filing guide

1. Login to <https://itax.kra.go.ke>
2. Under the returns menu, select file return, then turnover tax and download the excel return.
3. Complete the return and submit.
4. After filing the return, go to the payment menu, select “payment”, select the amount payable, and generate a payment slip.
5. Make the payment at a partner bank or through M-PESA.⁷

PAYE filing and payment guide

Income Tax Individual Tax Rates

To calculate PAYE (Pay As You Earn), employers must utilize the Individual Income Tax Rates (Bands) specified in the Finance Act of 2023, which are applicable from 1st July 2023. These rates vary from 10% to 35%, as outlined in the table below.

Monthly Pay Bands (KSh.)	Annual Pay Bands (KSh.)	Rate of Tax (%)
On the first KSh. 24,000	On the first KSh. 288,000	10
On the next KSh. 8,333	On the next KSh. 100,000	25
On the next KSh. 467,667	On the next KSh. 5,612,000	30
On the next KSh. 300,000	On the next KSh. 3,600,00	32.5
On all income above KSh. 800,0000	On all income above KSh. 9,600,000	35
Personal Tax Relief		
2,400	28,800	

⁷ Kenya, “File & Pay.”

<https://kra.go.ke/individual/filing-paying/types-of-taxes/turnover-tax-tot#>

Pension tax rates

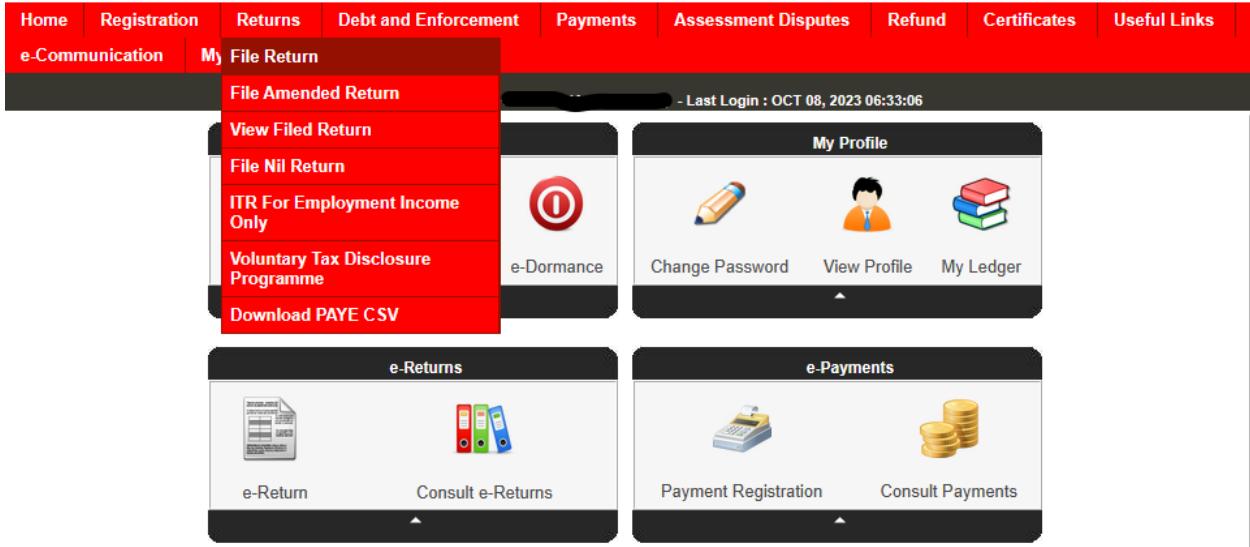
Pension Tax Bands	Annual Tax Rates
Any amount in excess of tax free amounts:	
On first 400,000	On first 400,000
On next 400,000	15%
On next 400,000	20%
On next 400,000	25%
On any amount in excess of KSh 1,600,000	30%

Filing guide

At the end of each month, an employer needs to compile a list of employees from whom they've deducted taxes. If there are no taxes to report for PAYE, the employer must still submit a "nil" return.

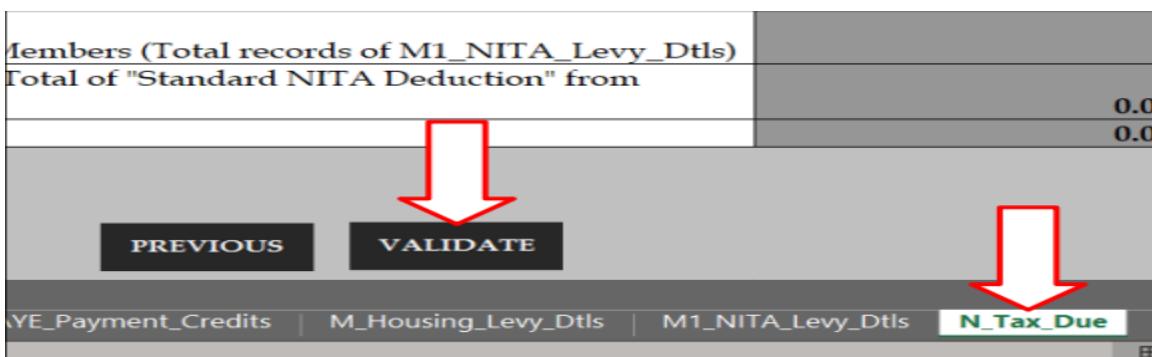
Here's how to go about filing:

1. Log in to the iTax platform using your KRA PIN and password.
2. Navigate to the "Returns" tab and choose the "File Return" option.



The screenshot shows the iTAX home page with a red header bar containing links: Home, Registration, Returns, Debt and Enforcement, Payments, Assessment Disputes, Refund, Certificates, and Useful Links. Below this is a secondary navigation bar with links: e-Communication, My File Return (highlighted in red), File Amended Return, View Filed Return, File Nil Return, ITR For Employment Income Only, Voluntary Tax Disclosure Programme, and Download PAYE CSV. To the right, a 'Last Login' timestamp is shown. Below the header are three main sections: 'My Profile' (with icons for Change Password, View Profile, and My Ledger), 'e-Returns' (with icons for e-Return and Consult e-Returns), and 'e-Payments' (with icons for Payment Registration and Consult Payments).

3. Select the tax obligation as "Income Tax - PAYE."
4. Download the Excel return form, complete it accurately, and click on the 'VALIDATE' button located at the end of the sheet labeled "N_Tax Due."



The screenshot shows an Excel sheet with data for 'Members (Total records of M1_NITA_Levy_Dtls)'. It displays the 'Total of "Standard NITA Deduction" from' field with values 0.0 and 0.0. At the bottom, there are 'PREVIOUS' and 'VALIDATE' buttons. A red arrow points down to the 'VALIDATE' button. Another red arrow points down to the 'N_Tax Due' tab at the bottom right of the sheet.

5. The system will generate a zipped file containing your completed return, accessible in the "Documents" section.
6. Return to your iTAX profile, go to the "Returns" tab, and choose "File Return."

7. Upload the zipped return file in the "Upload Form" section, and confirm your agreement to the Terms and Conditions by checking the appropriate box.
8. Click on the submission button.
9. Upon successful filing of your PAYE return, you'll receive an acknowledgment receipt for your records.

Payment guide

1. Login to iTax using your PIN and password via <https://itax.kra.go.ke>.



The screenshot shows the iTax Online Service Area homepage. At the top, there are links for 'FAQs', 'Events', 'Report Problem', 'Contact Us', 'Online Help', and 'Tax Videos'. The Kenya Revenue Authority logo is on the left, and the iTax logo is on the right. The main content area is divided into several sections:

- Do you have a PIN?** (Left): A form to enter PIN/User ID with a 'Continue' button.
- iTax Online eServices** (Right): A grid of service links:

PIN Checker	TCC Checker	WHT Checker
To verify PIN, Click Here	To verify your Tax compliance Certificate, Click Here	To verify a Withholding Certificate, Click Here

Status Checker	Agent Checker
To consult status of your applications, Click Here	To verify Withholding Agent, Click Here

Control Unit Checker	Invoice Number Checker
To verify Middleware Serial Number, Click Here	To verify Control Unit Invoice Number, Click Here
- Do you want to apply for a PIN?** (Left): A 'REGISTER' button and a link to 'New PIN Registration'.
- Manufacturer Authorization** (Left): A 'REGISTER' button and a link to 'Manufacturer Authorization'.
- Need Assistance?** (Bottom): Links for 'Contact Us', 'Report Problem', 'FAQs', and 'Online Help'.
- Powered By** (Bottom right): The TATA logo.
- Kenya Vision 2030** (Bottom left): The Kenya Vision 2030 logo.

At the bottom, there is contact information: Times Tower, Haile Selassie Avenue, P.O Box 40240 - 00100 GPO Nairobi Tel: 020-318500, 020-281000 Fax: 341342. Call Center details: Tel: 020-4999999/020-4999000 Cell: 0711-099999 Email: callcentre@kra.go.ke. Site best viewed in 1024 X 768 resolution with IE 7.0 and above. Site is developed, designed and managed by TATA, 09/2011.

- Click on Payments tab, select Payment



The screenshot shows the Kenya Revenue Authority (KRA) iTax portal. At the top, there are two logos: the KRA logo on the left and the iTax logo with the tagline 'Simple, Swift, Secure' on the right. Below the logos is a navigation bar with various tabs: Home, Registration, Returns, Debt and Enforcement, Payments, Assessment Disputes, Refund, Certificates, and Useful Links. The 'Payments' tab is currently selected. A sub-menu for 'Payments' is open, showing options: Payment Registration, Make Payment, Apply Payment Plan, Consult Payments, Consult CGT Return, Setoff Advance Payment/Offset Overpayment, View Profile, and My Ledger. The 'Make Payment' option is highlighted. The main content area is divided into sections: 'e-Registration' (e-Amendment, e-Cancellation, e-Declaration), 'e-Returns' (e-Return, Consult e-Returns), and 'e-Payments' (Payment Registration, Consult Payments). A 'Welcome' message and a timestamp (2023 06:33:06) are also visible.

- Select Tax head as Income
- Select Tax Subhead as Income Tax-
- Select Payment Type as Self-Assessment.
- Select Tax Period
- Select the liability and click on add
- Select Mode of Payment as Other Payment Mode or RTGS
- Click on the submit button

The system will generate a Payment slip, which you will download and use to make the payment. A copy of the payment slip is sent to the taxpayer's registered email address. Payment can be done by Bank or M-Pesa.

Withholding tax

Deductions

Type of incomes	Resident	Non Resident
Artists and entertainers	-	20%
Management fees	5%	20%
Professional fees	5%	20%
Training fees (inclusive of incidental costs)	5%	20%
Winnings from betting, gaming, prize competition, gambling)	20%	20%
Royalties or natural resource income	5%	20%
Dividends (nil for resident companies with shareholding>12.5%), (5% resident qualifying dividend and citizens of EAC)	10%	15%
Equipment (movable) Leasing	N/A	5%
Interest (Bank)	15%	15%
Interest (Housing Bond HBI)	10%	15%
Interest on at least two year government bearer bonds, (issued outside KE- 7.5%)	15%	15%
Other bearer bonds interest	25%	25%
Bearer bonds with maturity of ten years or more	10%	
Rent - buildings (immovable)	10%	30%

Rent - others (except aircraft)	N/A	15%
Pensions/provident schemes (withdrawal)	10 - 30%	5%
Insurance Commissions - brokers	5%	20%
Insurance Commissions - Others	10%	
Consultancy and agency (from 1 July 2003), (Consultancy fees to EAC citizen – 15%)	5%	20%
Contractual (from 1 July 2003)	3%	20%
Telecommunication services/Message transmission	-	5%
Natural Resource Income (w.e.f. 1st January 2015)	5%	20%
Digital content monetization (w.e.f. 1st July 2023)	5%	20%
Sales promotion, marketing and advertising services	5%	20%
Withholding on rental income tax by tax agents (w.e.f. 1st January 2024)	7.5%	N/A
Gains from financial derivatives	N/A	15%

The rate of deduction varies depending on the type of incomes payable and the residency status of the payee as provided in the table below.

Filing guide

1. Log In:
 - Access the KRA iTax portal using your company PIN Number and secret Password.
2. Navigate to Payments:
 - After logging in, go to the "Payments" tab.
 - Under the "Payments" tab, choose "Payment registration."



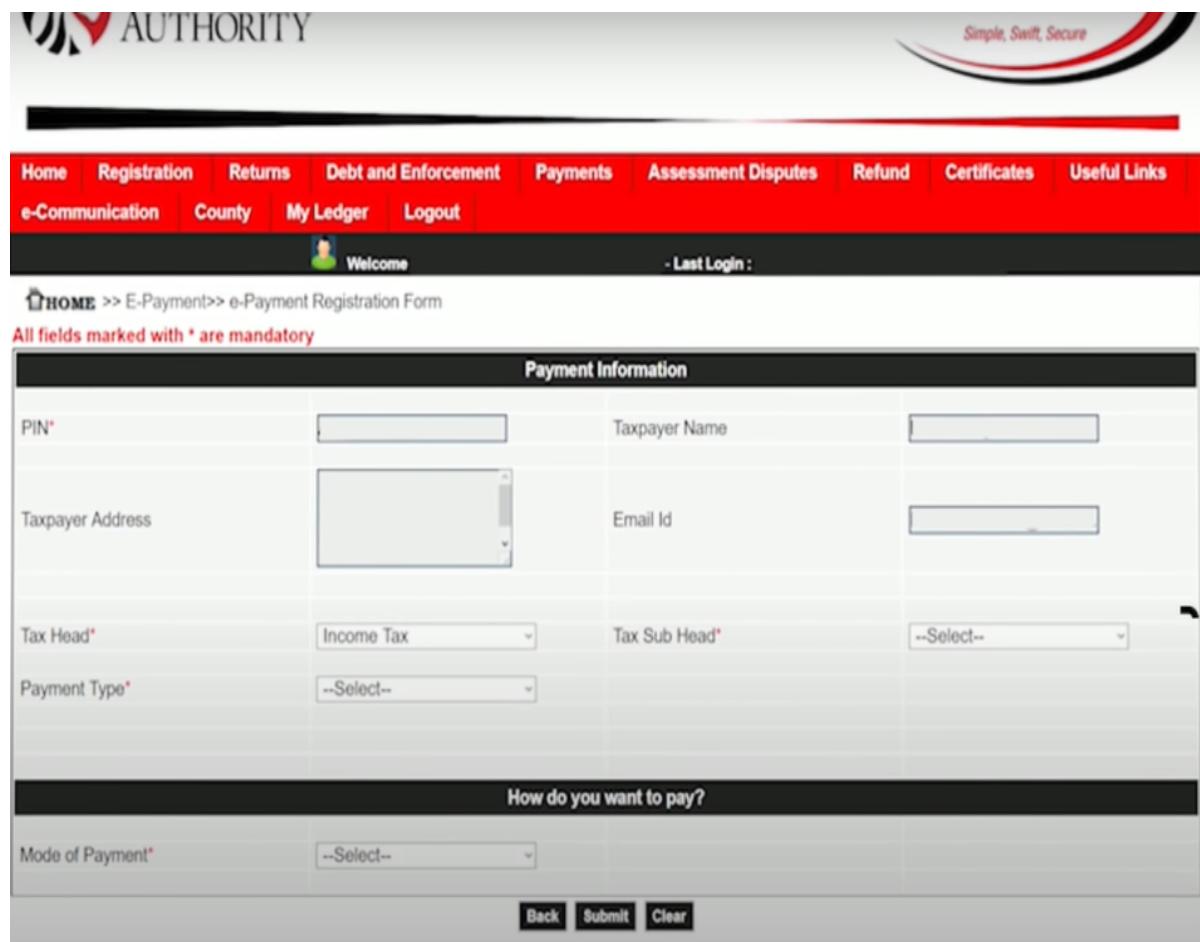
The screenshot shows the KRA iTax portal interface. At the top, there are navigation links: Home, Registration, Returns, Debt and Enforcement, Payments, Assessment Disputes, Refund, Certificates, and Useful Links. The Payments link is highlighted. Below this is a user profile section with a photo placeholder, a timestamp (2023 06:33:06), and a 'Logout' link. The main content area is divided into several sections: 'e-Communication' (e-Communication, My Ledger, Logout), 'e-Registration' (e-Registration, e-Amendment, e-Cancellation, e-De), 'e-Returns' (e-Returns, e-Return, Consult e-Returns), and 'e-Payments' (e-Payments, Payment Registration, Consult Payments). A red box highlights the 'Payment Registration' link under the 'e-Registration' section. To the right, there is a 'My Profile' section with icons for a person, books, and a ledger, and links for 'View Profile' and 'My Ledger'.

3. Verify Company Information:

- The system will pre-fill an "e-Payment registration form" with your company's information.

4. Specify Tax Head:

- Fill in the "Tax Head" by clicking the drop-down menu and selecting "Income Tax" from the list. This is because the company is reporting another person's tax (income tax).
- Ensure that "(0105) Income Tax – Withholding" is selected as the "Tax Sub Head."



The screenshot shows the 'Payment Information' section of the e-Payment Registration Form. It includes fields for PIN, Taxpayer Name, Taxpayer Address, Email Id, Tax Head (set to Income Tax), Tax Sub Head (set to --Select--), Payment Type (set to --Select--), and Mode of Payment (set to --Select--). The 'How do you want to pay?' section is also visible at the bottom.

Payment Information				
PIN*	<input type="text"/>	Taxpayer Name	<input type="text"/>	
Taxpayer Address	<input type="text"/>		Email Id	<input type="text"/>
Tax Head*	Income Tax	Tax Sub Head*	--Select--	
Payment Type*	--Select--			
How do you want to pay?				
Mode of Payment*	--Select--			
<input type="button" value="Back"/> <input type="button" value="Submit"/> <input type="button" value="Clear"/>				

5. Choose Filing Method:

- Decide between two options for returning withholding tax: a. Excel Upload (recommended for multiple consultants). b. Web Form (for individual submissions).

5. Click on submit to file returns (Version 12.1.0)

[Click here to download Income Tax - Resident Individual Form\(Excel\)](#)

[Click here to download Income Tax - Resident Individual Form\(ODS\)](#)

6. Excel Upload:

- If using the Excel upload option:
 - Download the provided Excel sheet.
 - Fill in the necessary information and save the file.
 - Validate the Excel sheet.
 - Upload the validated file through iTax using the upload button.

11.5 FORM K_Home_Ownership_Saving Plan (All subject to maximum 60,000 Ksh)		0.00	0.00																												
12	Total of Tax Payable Less Reliefs and Exemptions (12.5 - 12.6 - 12.7)	4,657,885.00	0.00																												
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">12.1</td> <td>Employment Income ("Total Taxable Employment Income" from F_Employment_Income)</td> <td style="width: 20%; text-align: right;">0.00</td> <td style="width: 20%; text-align: right;">0.00</td> </tr> <tr> <td>12.2</td> <td>Taxable Income from Estate(s)/Trust(s)/Settlement (Total of "Amount of Share of Income (Ksh)" from H_Estate_Trust_Income)</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>12.3</td> <td>Allowable Tax Exemption in case of Person with Disability</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>12.4</td> <td>Net Taxable Income (12.1+ 12.2+Line Number 9 (Consolidated) - 11-12.3)</td> <td style="text-align: right;">15,820,033.00</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>12.5</td> <td>Tax on Taxable Income (12.4 *applicable rates)</td> <td style="text-align: right;">4,674,781.00</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>12.6</td> <td>Personal Relief</td> <td style="text-align: right;">16,896.00</td> <td></td> </tr> <tr> <td>12.7</td> <td>Insurance Relief (Total of "Amount of Insurance Relief " from L_Computation_of_Insu_Relief but subject to Maximum 60,000 Ksh)</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">0.00</td> </tr> </table>				12.1	Employment Income ("Total Taxable Employment Income" from F_Employment_Income)	0.00	0.00	12.2	Taxable Income from Estate(s)/Trust(s)/Settlement (Total of "Amount of Share of Income (Ksh)" from H_Estate_Trust_Income)	0.00	0.00	12.3	Allowable Tax Exemption in case of Person with Disability	0.00	0.00	12.4	Net Taxable Income (12.1+ 12.2+Line Number 9 (Consolidated) - 11-12.3)	15,820,033.00	0.00	12.5	Tax on Taxable Income (12.4 *applicable rates)	4,674,781.00	0.00	12.6	Personal Relief	16,896.00		12.7	Insurance Relief (Total of "Amount of Insurance Relief " from L_Computation_of_Insu_Relief but subject to Maximum 60,000 Ksh)	0.00	0.00
12.1	Employment Income ("Total Taxable Employment Income" from F_Employment_Income)	0.00	0.00																												
12.2	Taxable Income from Estate(s)/Trust(s)/Settlement (Total of "Amount of Share of Income (Ksh)" from H_Estate_Trust_Income)	0.00	0.00																												
12.3	Allowable Tax Exemption in case of Person with Disability	0.00	0.00																												
12.4	Net Taxable Income (12.1+ 12.2+Line Number 9 (Consolidated) - 11-12.3)	15,820,033.00	0.00																												
12.5	Tax on Taxable Income (12.4 *applicable rates)	4,674,781.00	0.00																												
12.6	Personal Relief	16,896.00																													
12.7	Insurance Relief (Total of "Amount of Insurance Relief " from L_Computation_of_Insu_Relief but subject to Maximum 60,000 Ksh)	0.00	0.00																												
Generate Upload File																															
<div style="border: 1px solid #0070C0; padding: 5px; width: fit-content; margin: auto;"> <p>? Sheets are ready to be uploaded. Do you want to generate upload file?</p> <div style="text-align: right; margin-top: 5px;"> Yes No </div> </div>																															
4,680,000.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 0.00																															
0.00 <span style="border: 1px solid #00																															

- Use the provided table to determine relevant withholding tax rates.
- Enter the Withholdee Pin Number.
- The iTax system will auto-generate the Withholdee's information, including names, email, and addresses.

9. Enter Gross Amount:

- Specify the "Gross Amount" you intend to pay for the Withholdee.

10. Add Multiple Transactions:

- Click on the "Add" button to include a list of other similar transactions.
- Continue adding new lines until you've accounted for all the suppliers or Withholders in your list of withheld income.

11. Select Payment Details:

- Choose the "Mode of Payment" and specify the "Receiving Bank Name."

12. Submit:

- Click the "Submit" button to complete the process of returning your withholding tax.⁸

⁸ J. Wangare, How to file withholding tax returns in Kenya (and current rates). Tuko, Last Updated September 1, 2023.

<https://www.tuko.co.ke/289758-how-file-withholding-tax-returns-kenya-current-rates.html>

INDIRECT TAX OBLIGATIONS FOR SMEs IN KENYA

TAX HEADS	TAX RATES	PAYMENTS
Excise duty	Varying Rates	<ul style="list-style-type: none"> Small and Medium-sized Enterprises (SMEs) involved in the local manufacture, importation, or local supply of various goods, including bottled water, soft drinks, cigarettes, alcohol, fuels, and motor vehicles, are subject to the payment of Excise duty on these commodities. This tax is aimed at regulating specific goods and generating government revenue. SMEs in this category must file Excise returns, outlining their transactions and tax liabilities, by the 20th day of the following month. Timely compliance with these regulations is essential to avoid penalties and ensure adherence to tax rules.⁹

⁹ Worldwide tax summaries.Kenya Corporate-Other taxes.PwC,Last Reviewed September 25, 2023.
<https://taxsummaries.pwc.com/kenya/corporate/other-taxes#>

VAT	16% (General rate) 0% (Zero-rate)	<ul style="list-style-type: none"> Small and Medium-sized businesses, with the expectation of making taxable supplies exceeding KES 5 million within a 12-month period, are obligated to register for Value Added Tax (VAT) and charge VAT on their taxable supplies. This registration requirement ensures that businesses that reach a certain level of economic activity participate in the VAT system When determining the registration threshold, it's important to note that the sale of capital assets is excluded. This exclusion allows businesses to distinguish between their regular operational activities and the sale of assets, which may not reflect the core business turnover.¹⁰
------------	--------------------------------------	--

¹⁰ Kenya. "File & Pay." <https://www.kra.go.ke/individual/filing-paying/types-of-taxes/value-added-tax#>

Customs duty	0%, 25% and 100%	<ul style="list-style-type: none"> Small and Medium-sized Enterprises (SMEs) involved in importing goods to Kenya may be subject to customs duties, which vary depending on the nature and assessed value of the products. SMEs might also need to pay a 3.5% Import Declaration Fee (IDF) based on the customs value of the imported goods.¹¹ The exact customs duty is determined by the goods' value and the duty rate assigned to their category.¹²
---------------------	------------------	--

¹¹ Kenya. "Taxation for Companies & Partnerships."

<https://www.kra.go.ke/business/companies-partnerships/companies-partnerships-pin-taxes/company-partnership-imports-exemptions>

¹² Privacy. Kenya – Import Tariffs. Privacy Shield Framework.

<https://www.privacyshield.gov/ps/article?id=Kenya-import-tariffs#>

Environmental levies	Varying rates	<ul style="list-style-type: none">• SMEs in businesses generating waste or causing pollution may be subject to environmental levies. These levies aim to reduce the environmental impact of companies and promote sustainability.• The impact of these levies varies based on SMEs' industry, size, finances, and their commitment to eco-friendly practices.• The goal is to encourage environmental responsibility and sustainability, with the extent of impact depending on SMEs' specific circumstances and environmental commitment.
-----------------------------	---------------	--

VAT

Filing guide

1. The taxpayer logs into iTax using their log-in credentials, which include the PIN and password.
2. Click on the "Returns" tab.
3. Under the "Returns" tab, choose "File Return."
4. Select "VAT" as the Tax Obligation.
5. Download the VAT Excel form provided.
6. Complete the mandatory fields in Section A of the VAT Excel form.
7. Input the total sales made for all B2C (Business-to-Consumer) transactions for the specific month.
8. Click on the "Validate" option to zip the file.
9. A pop-up message will display the location where the zipped file has been saved on your computer.
10. Select the zipped file you just created and saved.
11. Click on the "Submit" button to upload and submit the VAT return.
12. Upon successful submission of the return, an acknowledgment receipt will be sent to the iTax registered email address.

Payment guide

1. Access iTax by logging in with your unique PIN and password at <https://itax.kra.go.ke>.
2. Navigate to the Payments tab and choose Payment Registration.
3. Pick VAT as the Tax category, and specifically VAT for Tax Subcategory.
4. Choose Self-Assessment as the preferred Payment Type.
5. Select the applicable Tax Period and the specific liability and click on add.
6. Opt for the Mode of Payment, either as Other Payment Mode or RTGS.
7. Proceed by clicking the submit button.

The system will then generate a downloadable Payment slip for your use in making the payment. Additionally, a duplicate of the payment slip will be sent to the email address you've registered with as a taxpayer.

REFERENCES

- USAID. "Small Business Development Centers." USAID. Last Modified April 3, 2023
<https://www.usaid.gov/kenya/document/small-business-development-centers#>
- F, Cheruiyot. "SMEs in Kenya: Meaning, Characteristics & Economic Benefits." IntaSend. Last modified February 22nd, 2023.
<https://intasend.com/payments/what-is-an-sme-in-kenya-meaning-of-sme/>
- Kenya. "File & Pay." Kenya revenue authority 2023.
<https://kra.go.ke/individual/filing-paying/types-of-taxes/turnover-tax-tot#>
- Kenya. "File & Pay."
<https://www.kra.go.ke/individual/filing-paying/types-of-taxes/paye#>
- KPMG, Finance Act, 2023 Analysis Kenya. KPMG, Accessed July, 2023, p. 19
<https://assets.kpmg.com/content/dam/kpmg/ke/pdf/tax/2023/KPMG%20Finance%20Act%202023%20Analysis.pdf>
- Kenya. "File & Pay."
<https://kra.go.ke/individual/filing-paying/types-of-taxes/capital-gains-tax#>
- Kenya, "File & Pay."
<https://kra.go.ke/individual/filing-paying/types-of-taxes/turnover-tax-tot#>
- J. Wangare, How to file withholding tax returns in Kenya (and current rates). Tuko, Last Updated September 1, 2023.
<https://www.tuko.co.ke/289758-how-file-withholding-tax-returns-kenya-current-rates.html>
- Worldwide tax summaries.Kenya Corporate-Other taxes.PWC,Last Reviewed September 25, 2023.
<https://taxsummaries.pwc.com/kenya/corporate/other-taxes#>
- Kenya. "File & Pay."
<https://www.kra.go.ke/individual/filing-paying/types-of-taxes/value-added-tax#>

- Kenya. "Taxation for Companies & Partnerships."
<https://www.kra.go.ke/business/companies-partnerships/companies-partnerships-pin-taxes/company-partnership-imports-exemptions>
- Privacy. Kenya – Import Tariffs. Privacy Shield Framework.
<https://www.privacyshield.gov/ps/article?id=Kenya-import-tariffs#>