

THE TAX LAWS (AMENDMENT) BILL, 2026

A Bill for—

AN ACT of Parliament to make amendments to various tax related laws; and for connected purposes

ENACTED by the Parliament of Kenya as follows—

Short title.

1. This Act may be cited as the Tax Laws (Amendment) Act, 2026.

Amendment to section 47 of Cap. 469B.

2. Section 47 of the Tax Procedures Act is amended in subsection (2) by deleting the word “ninety” and substituting therefor the words “one twenty”.

Amendment to Third Schedule of Cap. 469C.

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

- (a) by deleting the tariff description “Uncoated kraft paper and paperboard, in rolls or sheets; Kraft liner; Unbleached” and the corresponding tariff number and export and investment promotion levy rate;
- (b) by deleting the tariff description “Sack kraft paper; Unbleached” and the corresponding tariff number and export and investment promotion levy rate;
- (c) by deleting the tariff description “Other kraft paper and paperboard weighing 150 g/m² or less: Unbleached” and the corresponding tariff number and export and investment promotion levy rate;
- (d) by deleting the tariff description “Sack kraft bleached” and the corresponding tariff number and export and investment promotion levy rate; and
- (e) by deleting the tariff description “Sack kraft bleached” and the corresponding tariff number and export and investment promotion levy rate.

Amendment of the First Schedule to Cap. 470.

4. The First Schedule to the Income Tax Act is amended in Part I by adding the following paragraph immediately after paragraph 75—

76. Gains accruing from the transfer of real estate.

Provided that the exemption under this paragraph shall only apply where the transfer forms part of a restructuring, asset transfer arrangement, or

acquisition undertaken under an approved Real Estate Investment Trust scheme.

5. The Third Schedule to the Income Tax is amended in Head B by deleting paragraph 2(h) and substituting therefor the following new paragraph—

h. In the case of a Special Economic Zone Enterprise, whether the Enterprise sells its products to markets within or outside Kenya, Developer and Operator, ten percent for the first ten years after full utilization of the Investment Deduction Allowance as provided under Paragraph 1(A) (c) of the second schedule, and thereafter fifteen percent for another ten years

Amendment of the First Schedule to Cap. 472.

6. The First Schedule to the Excise Duty Act is amended in Part I, in the second table—

- (a) by deleting the description “Imported Uncoated kraft paper and paperboard, in rolls or sheets; kraft liner; unbleached of tariff number 4804.11.00 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;
- (b) by deleting the description “Imported other kraft paper or paperboard weighing 150g/m² or less, in rolls or sheets; unbleached of tariff number 4804.31.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.” and corresponding rate of excise duty;
- (c) by deleting the description “Imported other kraft paper or paperboard weighing more than 150g/m² but less than 225 g/m², in rolls or sheets; unbleached of tariff number 4804.41.00 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;
- (d) by deleting the description “Imported other kraft paper or paperboard weighing 225 g/m² or more others in rolls or sheets; unbleached of tariff number 4804.51.00 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;

- (e) by deleting the description “Imported printing ink of tariff 3215.11.00 and 3215.19.00 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; and
- (f) in the description of “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”, by deleting the corresponding rate of excise duty and substituting therefor the following new rate of excise duty “10%”.

Amendment to section 5 of Cap. 476.

7. Section 5 of the Value Added Tax Act is amended in subsection (2) by inserting the following new paragraph immediately after paragraph (ab)—

- (ac) in the case of raw materials or input purchased for the direct and exclusive use in floricultural and horticultural production, provided that at least ninety per centum of the annual production is destined for export, eight percent.

Amendment to section 17 of Cap. 476.

8. Section 17 of the Value Added Tax Act is amended in the proviso to subsection (2) by deleting the word “six” and substituting therefor with the word “nine”.

Amendment to the First Schedule of Cap. 476.

9. The First Schedule to the Value Added Tax Act is amended in Section A, Part I by adding the following new paragraph immediately after paragraph 157—

158. Imported printing paper for use in printing of school books.

Amendment to the Second Schedule of Cap. 476.

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

- (a) in paragraph 12, by inserting the words “developer, operator or” immediately after the word “zone”;

(b) by adding the following new paragraph immediately after paragraph 36—

37. Printed textbooks for use in schools.

Amendment to section 69A of Cap. 480.

11. Section 96A of the Stamp Duty Act is amended—

(a) by deleting subsection (1) and substituting therefor the following new subsection—

(1) This section applies only to real estate investment trusts authorized under the Capital Markets Act, in respect of which it is shown to the collector—

Cap. 485A.

(a) that the effect thereof is to convey or transfer a beneficial interest in property from one trustee to another trustee, or to an additional trustee;

(b) that the effect thereof is to convey or transfer a beneficial interest in property from a trustee to the real estate investment trusts; or

(c) that the effect thereof is to convey or transfer a beneficial interest in property from a person or persons to the real estate investment trusts in exchange for units in the real estate investment trust.

(b) by deleting subsection (4).

MEMORANDUM OF OBJECTS AND REASONS

The Tax Laws (Amendment) Bill, 2026 seeks to make various amendments to various statutes.

Clause 1 of the Bill provides for the short title of the Bill.

Clause 2 of the Bill seeks to amend Section 47 of the Tax procedures Act (Cap 469B) to provide for an extended period of for the Commissioner to ascertain and make a decision on an application and issuance of tax refunds of overpaid taxes from 90 to 120 days.

Clause 3 of the Bill seeks to amend the third Schedule of the Miscellaneous Fees and Levies Act (Cap 469 C) by removing the 10% export and investment promotion levy on kraft paper, kraft liner and other kraft paper and paper board mainly used for packaging to enhance export competitiveness in horticulture and other value-added exports.

Clause 4 of the Bill seeks to amend the first schedule of the Income Tax Act (Cap 470) to exempt from tax the gains accruing from the transfer of real estate where such transfer forms part of a restructuring, asset transfer arrangement, or acquisition under an approved Real Estate Investment Trust (REIT) scheme. The intent is to promote the development of REITs and attract institutional investment into the real estate sector.

Clause 5 of the Bill seeks to amend the first schedule of the Excise Duty Act (Cap 472) is amended to remove 25% excise duty on imported kraft paper, kraft liner, paper board, imported printing ink, and reduce excise duty on imported carton, boxes and cases of corrugated paper or paper board, imported skillets and free-hinge lid packets from 25% to 10% .

Clause 6, 7, 8 and 9 of the Bill seeks to address the issue, of export companies who are in perpetual VAT refund positions despite the earlier interventions to offset against other VAT claims, the amendment is to reduce the VAT rate from 16 percent to 8 percent on raw materials and inputs used for manufacture of goods meant for exports. In addition, the amendment to provide for incentives for developers and operators under the Special Economic Zones Act; and imported printing paper for use in printing of school books.

Clause 10 of the Bill seeks to amend section 96 of the Stamp Duty Act (Cap 480) by inserting a new section 96 A to exempt transactions involving transfers of beneficial interests within Real Estate Investment Trusts (REITs). The objective is to avoid double taxation and enhance the attractiveness of REITs as structured investment vehicles.

Dated the....., 2026.

HON. JOHN MBADI , E.G.H
Cabinet Secretary
National Treasury and Economic Planning

Section 47 of Cap 469 B which it is proposed to amend—

47. Offset or refund of overpaid tax

- 1) Where a taxpayer has overpaid a tax under any tax law, the taxpayer may apply to the Commissioner in the prescribed form—
 - a) to offset the overpaid tax against the taxpayer's outstanding tax debts and future tax liabilities including instalment taxes and input value added tax; or
 - b) for a refund of the overpaid tax—
 - i. in the case of income tax, within five years from the date on which the tax was overpaid; or
 - ii. in the case of any other tax, within twelve months from the date on which the tax was overpaid.
 - 2) The Commissioner shall ascertain and determine an application under subsection (1) within ninety days and where the Commissioner ascertains that there was an overpayment of tax—
 - a) in the case of an application under subsection (1)(a), apply the overpaid tax to such outstanding tax debts or future tax liability; and
 - b) in the case of an application under subsection (1)(b), refund the overpaid tax within a period of six months from the date of ascertainment and, if the Commissioner fails to refund, the overpaid tax shall be applied to offset the taxpayer's outstanding tax debt or future tax liabilities.
 - 3) Where the Commissioner fails to ascertain and determine an application under subsection (1) within ninety days, the same shall be deemed ascertained and approved.
 - 4) The Commissioner may, for purposes of ascertaining the validity of an application under subsection (1), subject the application to an audit.
- (4A) Where an application under subsection (1) has been subjected to an audit under subsection (4), the Commissioner shall ascertain and determine the application within one hundred- and twenty-days failure to which, the application shall be deemed to have been ascertained and approved.
- 5) Where the application is for a refund of tax under subsection (1)(b), the Commissioner shall apply the overpayment in the following order—
- a) in payment of any other tax owing by the taxpayer under the specific tax law;
 - b) in payment of a tax owing by the taxpayer under any other tax law; and
 - c) any remainder shall be refunded to the taxpayer.
- 6) Where the Commissioner fails to refund the overpaid tax within the period specified in subsection (2)(b), the amount due shall attract interest of one per cent for each month or part thereof during which the amount remains unpaid.
- 7) Where the Commissioner notifies a taxpayer that an application under subsection (1)(a) has been ascertained and applies the overpaid tax liability to offset an outstanding tax in accordance with subsection (2)(a), interest or penalties shall not accrue on the amount applied to offsetting the outstanding tax liability from the date of the notification.
- 8) Where the Commissioner has applied the overpaid tax to offset an outstanding tax liability under subsection (2)(a), any outstanding tax after such application shall accrue interest and penalties in accordance with this Act.
- 9) Notwithstanding any other provision of this section, where a person overpays an instalment tax due

under section 12 of the Income Tax Act (Cap. 470), the Commissioner shall apply the overpaid tax to offset the taxpayer’s future instalment tax liability.

10) Where, after the application of the overpaid tax under subsection (9), the Commissioner later determines that there was no overpayment of instalment tax, the amount of the tax that was used to offset the taxpayer’s future instalment tax liabilities under subsection (9) shall be treated as a tax due to the Commissioner in the subsequent tax period.

11) The amount due under subsection (10) shall be due from the date that the Commissioner applied that amount to offset an instalment tax liability.

12) The Commissioner shall notify the taxpayer in writing of the amount due under subsection (10) and specify in the notification—

- a) the interest on the amount due; and
- b) any penalties due in respect of the amount due.

13) A person aggrieved by a decision of the Commissioner under this section may appeal to the Tribunal within thirty days after being notified of the decision.

The Third Schedule of Cap 469 C which it is proposed to amend—

THIRD SCHEDULE [s. 7A(1)]

<i>Tariff No.</i>	<i>Tariff Description</i>	<i>Export and investment promotion levy rate</i>
2523.10.00	Cement Clinkers	17.5 % of the customs value
7207.11.00	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	17.5 % of the customs value
7213.91.10	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 of cross section measuring less than 8 mm	17.5 % of the customs value
7213.91.90	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	17.5 % of the customs value
4804.11.00	Uncoated kraft paper and paperboard, in rolls or sheets; Kraft liner; Unbleached	10 % of the customs value
4804.21.00	Sack kraft paper; Unbleached	10 % of the customs value
4804.31.00	Other kraft paper and paperboard weighing 150 g/m ² or less: Unbleached	10 % of the customs value
4819.30.00	Sacks and bags, having a base of a width of 40 cm or more.	10 % of the customs

		value
4819.40.00	Other sacks and bags, including cones.	10 % of the customs value
4804.29.00	Sack kraft bleached	10 % of the customs value
4804.39.00	Sack kraft bleached	10 % of the customs value
69.07	Ceramic flags and paving, hearth or wall tiles; unglazed ceramic mosaic cubes and the like, whether or not on a backing; finishing ceramics.	3%
69.10	Ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures.	3%
72.06	Iron and non-alloy steel in ingots or other primary forms (excluding iron of heading 72.03).	17.5%
72.07	Semi-finished products of iron or non-alloy steel	17.5%
72.13	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel;	17.5%
72.14	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling.	17.5%
72.24	Other alloy steel in ingots or other primary forms; semi-finished products of other alloy steel.	17.5%

The First Schedule of Cap 472 which it is proposed to amend—

FIRST SCHEDULE [s. 5(2)]

RATES OF EXCISE DUTY

Part I – EXCISABLE GOODS

<i>Description</i>	<i>Rate of Excise Duty</i>
Imported Uncoated kraft paper and paperboard, in rolls or sheets; kraft liner; unbleached of tariff number 4804.11.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin.	25% of excisable value or kshs.50 per kilogramme, whichever is higher.

Imported other kraft paper or paperboard weighing 150g/m² or less, in rolls or sheets; unbleached of tariff number 4804.31.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin. 25% of excisable value or kshs.50 per Kilogram, whichever is higher.

Imported other kraft paper or paperboard weighing more than 150g/m² but less than 225 g/m², in rolls or sheets; unbleached of tariff number 4804.41.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin. 25% of excisable value or kshs.50 per Kilogram, whichever is higher.

Imported other kraft paper or paperboard weighing 225 g/m² or more others in rolls or sheets; unbleached of tariff number 4804.51.00 but excluding those originating from East African Community Partner States that meet the East African Community Rules of Origin. 25% of excisable value or kshs.50 per Kilogram, whichever is higher.

Imported cartons, boxes and cases of corrugated paper or paper board and imported folding 25%

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;

Section 17 of Cap 476 which it is proposed to amend—

5. Charge to tax

1. A tax, to be known as value added tax, shall be charged in accordance with the provisions of this Act on—
 - (a) a taxable supply made by a registered person in Kenya;
 - (b) the importation of taxable goods; and
 - (c) a supply of imported taxable services.
2. The rate of tax shall be—
 - (a) in the case of a zero-rated supply, zero per cent; or
 - (aa) *deleted by Act No. 4 of 2023, s. 30(a);*

(ab)deleted by Act No. 4 of 2023, s. 30(b);

(b)in any other case, sixteen per cent of the taxable value of the taxable supply, the value of imported taxable goods or the value of a supply of imported taxable services.

3. Tax on a taxable supply shall be a liability of the registered person making the supply and, subject to the provisions of this Act relating to accounting and payment, shall become due at the time of the supply.
4. The amount of tax payable on a taxable supply, if any, shall be recoverable by the registered person from the receiver of the supply, in addition to the consideration.
5. Tax on the importation of taxable goods shall be charged as if it were duty of customs and shall become due and payable by the importer at the time of importation.
6. Tax on the supply of imported taxable services shall be a liability of any person receiving the supply and, subject to the provisions of this Act relating to accounting and payment, shall become due at the time of the supply.
7. The provisions of subsection (1) shall be applicable to supplies made over the internet or an electronic network or through a digital marketplace.
8. The Cabinet Secretary shall make regulations to provide the mechanisms for implementing the provisions of subsection (7).
9. For the purposes of this section, "digital marketplace" means an online platform which enables users to sell goods or provide services to other users.

17. Credit for input tax against output tax

- 1) Subject to the provisions of this Act and the regulations, input tax on a taxable supply to, or importation made by, a registered person may, at the end of the tax period in which the supply or importation occurred, be deducted by the registered person in a return for the period, subject to the exceptions provided under this section, from the tax payable by the person on supplies by him in that tax period, but only to the extent that the supply or importation was acquired to make taxable supplies.
- 2) If, at the time when a deduction for input tax would otherwise be allowable under subsection (1)—
 - a) (a)the person does not hold the documentation referred to in subsection (3), and
 - b) (b)the registered supplier has not declared the sales invoice in a return,

the deduction for input tax shall not be allowed until the first tax period in which the person holds such documentation:

Provided that the input tax shall be allowable for a deduction within six months after the end of the tax period in which the supply or importation occurred.

- 3) The documentation for the purposes of subsection (2) shall be—
- a) an original tax invoice issued for the supply or a certified copy;
 - b) a customs entry duly certified by the proper officer and a receipt for the payment of tax;
 - c) a customs receipt and a certificate signed by the proper officer stating the amount of tax paid, in the case of goods purchased from a customs auction; and
 - d) a credit note in the case of input tax deducted under section 16(2);
 - e) a debit note in the case of input tax deducted under section 16(5); or
 - f) in the case of a participant in the Open Tender System for the importation of petroleum products that have been cleared through a non-bonded facility, the custom entry showing the name and PIN of the winner of the tender and the name of the other oil marketing company participating in the tender.

Provided that the input tax that may have been incurred by an oil marketing company participating in the Open Tender System before the coming into force of this provision shall be claimed within twelve months after this provision comes into force.

- 4) A registered person shall not deduct input tax under this Act if the tax relates to the acquisition, leasing or hiring of—
- a) passenger cars or mini buses, and the repair and maintenance thereof including spare parts, unless the passenger cars or mini buses are acquired by the registered person exclusively for the purpose of making a taxable supply of that automobile in the ordinary course of a continuous and regular business of selling or dealing in or hiring of passenger cars or mini buses; or
 - b) entertainment, restaurant and accommodation services unless—
 - i. the services are provided in the ordinary course of the business carried on by the person to provide the services and the services are not supplied to an associate or employee; or
 - ii. the services are provided while the recipient is away from home for the purposes of the business of the recipient or the recipient's employer:

Provided that no tax shall be charged on the supply where no input tax deduction was allowed on that supply under this subsection.

- 5) Where the amount of input tax that may be deducted by a registered person under subsection (1) in respect of a tax period exceeds the amount of output tax due for the period, the amount of the excess shall be carried forward as input tax deductible in the next tax period:

Provided that any such excess shall be paid to the registered person by the Commissioner where—

- a) such excess arises from making zero rated supplies; or
- b) such excess arises from tax withheld by appointed tax withholding agents; and
- c) such excess arising out of tax withheld by appointed tax withholding agents may be applied against any tax payable under this Act or any other written law, or is due for refund pursuant to section 47(4) of the Tax Procedures Act (Cap. 469B); and

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; and

e) (e)deleted by Act No. 9 of 2025, s. 34(b);

(ea)such excess credit in respect of a taxable supply that became zero rated on 1st July, 2023:

Provided that a registered person who incurred excess credit shall apply to the Commissioner for a refund within six months from the date of commencement of this provision.

6) Subject to this Act, if a taxable supply to, or a taxable import by, a registered person during a tax period relates partly to making taxable supplies and partly for another use, the input tax deductible by the person for acquisitions made during the tax period shall be determined as follows—

(a)full deduction of all the input tax attributable to taxable supplies;

(b)no deduction of any input tax which is directly attributable to other use; and

(c)deduction of input tax attributable to both taxable supplies and other uses calculated according to the following formula:

$$A \times BC$$

where—**A** is the total amount of input tax payable by the person during the tax period on acquisitions that relate partly to making taxable supplies and partly for another use;

B is the value of all taxable supplies made by the registered person during the period; and

C is the value of all supplies made by the registered person during the period in Kenya.

7) Deleted by Act No. 12 of 2024, s. 19(b).

8) Deleted by Act No. 12 of 2024, s. 19(c).

9) Where a *bona fide* owner of taxable supplies, who has deducted input tax under subsection (1), is compensated for the loss of the taxable supplies, the compensation shall be treated as a taxable supply and—

(a) if the compensation includes value added tax, the compensation shall be declared and the value added tax thereon remitted to the Commissioner; or

(b) if the compensation does not include value added tax, the compensation shall be declared and subjected to value added tax and the tax remitted to the Commissioner.

The Second Schedule of Cap 476 which it is proposed to amend—

SECOND SCHEDULE [s. 7(2)]

ZERO-RATING

Part A – ZERO RATED SUPPLIES

Where the following supplies, excluding hotel accommodation, restaurant or entertainment services where applicable, take place in the course of a registered person's business, they shall be zero rated in accordance with the provisions of section 7—

1. The exportation of goods.
2. The supply of goods or taxable services to an export processing zone business as specified in [the Export Processing Zones Act \(Cap. 517\)](#), as being eligible for duty and tax free importation.
3. Shipstores supplied to international sea or air carriers on international voyage or flight.
4. The supply of coffee and tea for export to coffee or tea auction centers.
5. Transportation of passengers by air carriers on international flight.
6. The supply of taxable services to international sea or air carriers on international voyage or flight.
7. Deleted by [Act No. 9 of 2018, Sch](#)
8. Deleted by [Act No. 9 of 2018, Sch](#)
9. Goods purchased from duty free shops by passengers departing to places outside Kenya.
10. Supply of taxable services in respect of goods in transit.
11. 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 responsible for matters relating to health.
12. The supply of goods or taxable services to a special economic zone enterprise

Section 96 of Cap 480 which it is proposed to amend—

96A. Exemption of stamp duty on the transfers relating to real estate investment trust

- 1) This section applies only to real estate investment trusts authorized under [the Capital Markets Act \(Cap. 485A\)](#), in respect of which it is shown to the collector —
 - a) that the effect thereof is to convey or transfer a beneficial interest in property from one trustee to another trustee or to an additional trustee; or
 - b) that the effect thereof is to convey or transfer a beneficial interest in property from a person or persons for the transfer of units in the real estate investment trust.
- 2) No Stamp duty shall be chargeable on an instrument relating to the matters referred to in subsection (1).
- 3) An instrument to which this section applies shall be deemed to be duly stamped where it has, in accordance with the provisions of [section 17](#), stamped with the particular stamp denoting that it is not chargeable with any duty.
- 4) The exemption for instruments to which paragraph (1)(b) applies shall only have effect in respect of instruments executed before the 31st December, 2022.
- 5) For the purposes of this section —

"Additional trustee" means a new trustee appointed to an existing real estate investment trust.

"trustee" means a person appointed under a trust deed as a trustee of a real estate investment trust or otherwise so appointed by the court or pursuant to regulations made under [the Capital Markets Act \(Cap. 485A\)](#).