

Snapshot of the Tax Changes Introduced by the Finance Act, 2025

The Finance Act, 2025 was assented into law by the President on 27 June 2025 and thereafter published in the Kenya Gazette. The Act sets out a wide range of changes to Kenya's tax laws, including the Income Tax Act (Chapter 470), the Value Added Tax Act (Chapter 476), the Tax Procedures Act (Chapter 469B), the Miscellaneous Fees and Levies Act (Chapter 469C), and the Excise Duty Act (Chapter 472).

We highlight some of the key changes introduced by the Finance Act, 2025 and its broader impact on businesses and taxpayers in Kenya.

Snapshot of the Tax Changes Introduced by the Finance Act, 2025

1. Introduction of Advance Pricing Agreements

Effective 1 January 2026

Taxpayers can now enter into binding advance pricing agreements with the Kenya Revenue Authority on how transfer pricing regulations should apply to their related party transactions, providing certainty on pricing of transactions for up to 5 years.



Snapshot of the Tax Changes Introduced by the Finance Act, 2025

2. Betting Tax Reform

Effective 1 July 2025

Punters will now pay a 5% withholding tax on all wallet withdrawals, replacing the previous withholding tax imposed on winnings.



Snapshot of the Tax Changes Introduced by the Finance Act, 2025

3. Significant Economic Presence Tax (SEPT) Expanded

Effective 1 July 2025

SEPT now applies to all non-residents providing services in Kenya through the internet, electronic network or a digital marketplace, regardless of turnover threshold.



Snapshot of the Tax Changes Introduced by the Finance Act, 2025

4. Capital Gains Tax Exemption for Individual Transfers

Effective 1 July 2025

Individuals transferring property to companies they wholly own are now exempt from CGT, easing estate planning and asset restructuring.



Snapshot of the Tax Changes Introduced by the Finance Act, 2025

5. Investment Deductions Retained

Effective 1 July 2025

100% capital investment deductions maintained for projects in SEZs or outside Nairobi & Mombasa, supporting regional development.



Snapshot of the Tax Changes Introduced by the Finance Act, 2025

6. Retirement Income and Gratuity Now Tax-Free

Effective 1 July 2025

All withdrawals from pensions (after 20 years) and all gratuity payments are now exempt from tax, aligning with long-term savings incentives.



Snapshot of the Tax Changes Introduced by the Finance Act, 2025

7. Digital Asset Tax Repealed

Effective 1 July 2025

The 3% tax on digital asset transfers has been repealed.



Snapshot of the Tax Changes Introduced by the Finance Act, 2025

8. Reduction of Timelines for Lodging a Tax Refund Claim

Effective 1 July 2025

The Act has reduced the statutory timeline for lodging a claim for refund of VAT from 24 months to 12 months from the date the tax becomes due and payable.



Snapshot of the Tax Changes Introduced by the Finance Act, 2025

9. Per Diem Threshold Increased

Effective 1 July 2025

Non-taxable daily allowances increased from KES 2,000 to KES 10,000, easing tax pressure on employees.



Snapshot of the Tax Changes Introduced by the Finance Act, 2025

10. More Time for Refunds & Offsets

Effective 1 July 2025

Commissioner now has up to 120 days to review tax refund and offset claims, and where an audit is undertaken, the Commissioner must make a determination on the refund application in 180 days.



Analysis of the Tax Changes Introduced by the Finance Act, 2025

To get a copy of the comprehensive snapshot, [click here](#).