

No.	Topic / Marginal Note	Section to be Amended (Cap.)	Current Wording	Proposed Wording / Amendments	Justification (Implications & Recommendations)
1	<b>“Digital lender” definition (Excise Duty Act)</b>	Excise Duty Act (Cap.472), s.2(1)	““Digital lender’ means a person extending credit through an electronic medium.” <i>(broadly defined)</i>	Deletes old definition and substitutes: ““Digital lender’ means a person extending credit through an electronic medium but <b>does not include</b> a bank licensed under the Banking Act, a SACCO licensed under the Co-operative Societies Act or a microfinance institution under the Microfinance Act”.	<p>- <b>Government:</b> Clarifies that only unregulated fintech lenders pay the 15% excise on digital credit. Likely modest revenue increase, improving tax compliance in fintech. Aligns with digital taxation trends. -</p> <p><b>Businesses:</b> Banks, SACCOs, MFIs now expressly exempt (avoiding double taxation since they already pay other taxes). Fintech platforms are clearly targeted, raising their cost of capital. -</p> <p><b>Households:</b> Borrowers from banks/SACCOs unaffected; fintech loan rates may rise due to the tax, affecting consumer borrowing costs. - <b>Investors:</b> Greater certainty in regulatory scope of digital credit. May deter investment in taxed lending platforms. -</p> <p><b>Recommendations:</b> KRA should engage fintech sector early to build compliance capacity. Consider phase-in to soften any sharp price impacts. Align this with broader digital finance strategy (consistent with OECD/EAC norms).</p>

2	<b>“Digital marketplace” definition (Excise Duty Act)</b>	Excise Duty Act (Cap.472), s.2(1)	<i>(No existing definition of “digital marketplace”)</i>	Inserts new definition: “‘Digital marketplace’ means an online platform enabling users to sell goods or provide services to other users”.	<p>- <b>Government:</b> Explicitly brings e-commerce platforms (online marketplaces) within excise scope when used by non-residents, broadening the tax base for digital transactions.</p> <p>- <b>Businesses:</b> Online platforms must now consider Kenyan excise rules if facilitating taxable services. Enhances certainty over which intermediaries are taxed.</p> <p>- <b>Households:</b> Consumers of platform services (e.g. digital bookings, P2P services) may see excise charges embedded.</p> <p>- <b>Investors:</b> Positive signal that digital platforms will have clear tax obligations, though may raise operational costs for platform business models.</p> <p>- <b>Recommendations:</b> Issue guidance for e-commerce platforms on compliance. Consider impact on digital entrepreneurs; ensure coordination with EAC’s digital trade policies.</p>
3	<b>Tariff classification harmonization (Excise Duty Act)</b>	Excise Duty Act (Cap.472), s.2(3) <i>[new]</i>	Goods classified by local excise tariff.	New sub-section: Goods will be classified by the tariff codes in Annex 1 of the EAC Customs Union Protocol, with EAC general	<p>- <b>Government:</b> Aligns Kenya’s excise classifications with EAC Common External Tariff, reducing disputes over tariff interpretation. Facilitates regional trade policy commitments (PFM Act requires adherence to international obligations).</p> <p>- <b>Businesses:</b></p>

				interpretation rules applying.	<p>Importers/exporters benefit from unified tariff rules; may affect applicable excise rates if Kenyan schedule differs from EAC norms. -</p> <p><b>Households:</b> Indirect effect through price changes if excise rates change under new classification. -</p> <p><b>Investors:</b> Improved clarity for cross-border trade. -</p> <p><b>Recommendations:</b> Review any changes in excise rates under the new scheme (identify winners/losers). Update tax administration systems. Provide stakeholders transition timelines.</p>
4	<b>Sec 5(1)(d): Supply via digital networks (Excise Act)</b>	Excise Duty Act (Cap.472), s.5(1)(d)	Taxes services supplied "through a digital platform."	Amends s.5(1)(d): delete "through a digital platform" and substitute "over the internet, an electronic network or through a digital marketplace".	<p>- <b>Government:</b> Broadens scope of taxable digital services beyond narrow "platforms" – capturing any internet-based supply. Increases revenue from foreign digital services. -</p> <p><b>Businesses:</b> Foreign service providers (e.g. online consultancies, cloud services) become more clearly taxable. Domestic providers need clarity on compliance. - <b>Households:</b> Consumers of digital services (e.g. online streaming, subscriptions) may face excise embedded in fees. - <b>Investors:</b> Aligns with VAT amendments for digital services; supports digital economy growth</p>

					<p>while ensuring tax fairness. - <b>Recommendations:</b> KRA should coordinate with broadcasting/IT regulators. Provide compliance support for small tech firms. Monitor international practice in taxing e-services.</p>
5	<b>Sec 5: “Non-resident person” definition</b>	Excise Duty Act (Cap.472), s.5(4) <i>[new]</i>	<i>(No “non-resident” definition in this context)</i>	New sub-section: “‘Non-resident person’ means a person outside Kenya” for purposes of Sec.5.	<p>- <b>Government:</b> Clarifies that any person outside Kenya is subject to excise on services under Sec.5. Removes ambiguity in taxing foreign suppliers. - <b>Businesses:</b> Foreign companies now explicitly covered; must engage Kenyan tax agents or register in Kenya. - <b>Households:</b> Minor, as consumer focus is on local consumption. - <b>Investors:</b> Non-resident entrepreneurs get legal certainty. - <b>Recommendations:</b> Issue clear guidance on how KRA will enforce this (likely via TPA changes and international cooperation). Possibly negotiate information sharing with foreign jurisdictions.</p>
6	<b>Sec 13 – Place of supply of services</b>	Excise Duty Act (Cap.472), s.13(2) <i>[new]</i>	Current Sec.13 covers local supply rules; no digital clause.	Inserts: “If supplier’s business is outside Kenya, supply of services is deemed made in Kenya <i>if consumed by a person in Kenya through the</i>	<p>- <b>Government:</b> Captures digital services consumed domestically from abroad (e.g. software, streaming). Expands tax base significantly given global digitalization. - <b>Businesses:</b> Foreign service providers are liable for Kenyan excise (and</p>

				<i>internet, electronic network or a digital marketplace.”.</i>	likely VAT). Requires registration/enforcement offshore. - <b>Households:</b> May incur higher costs for international digital services as excise is applied. - <b>Investors:</b> Aligns Kenya with OECD/G20 guidelines on digital taxation (similar to VAT place-of-supply rules). - <b>Recommendations:</b> KRA should leverage TPA powers to enforce (agency notices for non-residents). Coordinate with domestic e-invoicing regime to track consumption. Provide public info on which services are affected.
7	<b>Sec 17 – Licensing decision timeline</b>	Excise Duty Act (Cap.472), s.17(1)	<i>(No statutory timeline for license approval)</i>	Inserts after “Commissioner shall”: “ <b>within fourteen days of receipt of the required documents</b> ”.	- <b>Government:</b> Imposes a 14-day deadline for processing excise licenses. Improves efficiency and transparency in licensing. - <b>Businesses:</b> Reduces waiting time for import/manufacturing approvals; reduces uncertainty and potential delays in production/distribution. - <b>Households:</b> Indirectly benefits from faster availability of goods. - <b>Investors:</b> Signals administrative reform and predictability. - <b>Recommendations:</b> KRA must ensure sufficient staffing/system capacity to meet this target.

					Performance metrics should track compliance with the 14-day rule. Consider digital application tracking.
8	<b>Schedule (Coal) – “customs” vs “excisable”</b>	Excise Duty Act, 1st Sch., Part I, 2nd Table	“Coal” rate line refers to “customs” value in wording.	Amend description of “Coal”: delete word “customs” and replace with “excisable” in the rate column.	<p>- <b>Government:</b> Purely a terminological update (likely copying from new EAC tariffs where coal is considered an excisable good). No substantive change in rate or base. - <b>Businesses:</b> Minor clarity; no real effect. - <b>Households/Investors:</b> No impact. - <b>Recommendations:</b> Housekeeping amendment; ensure consistency across tax statutes. Not material to policy.</p>
9	<b>Schedule (Plastics – self-adhesive plates)</b>	Excise Duty Act, 1st Sch., Part I, 2nd Table	“Imported self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics...” (specific HS codes)	Delete the description line for “Imported self-adhesive plates...”. <i>(This item is removed from the schedule)</i>	<p>- <b>Government:</b> Removing this specific item likely replaced by a broader category (see rows 11–12). Could slightly reduce rate complexity; any excise on such plastics will now fall under new categories (25% KSh200/kg, row 11). - <b>Businesses:</b> Importers of these plastics will instead pay the standard new plastic excise (row 11). Encourages simplification. - <b>Households:</b> No direct effect beyond potential price changes in goods using these plastics. - <b>Recommendations:</b> Confirm how existing stock is</p>

					treated. Inform importers of new codes/rates.
10	<b>Schedule (Float glass)</b>	Excise Duty Act, 1st Sch., Part I, 2nd Table	Imported float glass (HS7005, excluding EAC) taxed at [old rate].	Replace the existing excise rate with: <b>“35% of excisable value or KSh. 200 per kg, whichever is higher”</b> .	<p>- <b>Government:</b> Sharp increase in tax on imported float glass (from a flat to higher of 35% or KSh200/kg). Expected to raise excise revenue and protect domestic glass industry. - <b>Businesses:</b> Importers will see higher costs; local producers benefit competitively. Construction and automotive sectors may face higher input costs. - <b>Households:</b> Likely higher prices for goods using float glass (windows, bottles, etc). - <b>Investors:</b> Encourages investment in domestic glass manufacturing. - <b>Recommendations:</b> Monitor inflationary impact on construction; consider whether any vital uses should be exempt (BETA focus on housing might need balance). Provide clear tariff guidance to avoid disputes.</p>
11	<b>Schedule (Various printed plastics/polymers)</b>	Excise Duty Act, 1st Sch., Part I, 2nd Table	Several lines imposing excise on imported printed paper/plastic items excluding EAC origin.	<p>(a) Delete the descriptions and rates for “Printed paper or paperboard...” (HS 4811.41/4811.49).  (b) Insert new lines (see next): all “imported other self-adhesive</p>	<p>- <b>Government:</b> Simplifies and broadens excise on imported plastics and printed polymer products. New flat rates (25%/KSh200) likely raise revenue from a wider base than the old fragmented lines. - <b>Businesses:</b> Importers of these plastic inputs now pay</p>

				plates...” and various <b>printed polymers</b> at <b>25% of value or KSh200/kg.</b>	uniform rates; may increase costs for packaging manufacturers. Encourages use of domestic materials or recycling. - <b>Households:</b> Incremental price rises on packaged goods; incentives for recycled/locally-made packaging. - <b>Investors:</b> Aligns with environment-friendly goals (discouraging excessive plastic). - <b>Recommendations:</b> Phase in with public awareness; ensure local manufacturers ramp up supply. Coordinate with EAC to prevent cross-border loopholes.
12	<b>Schedule (High-proof spirit)</b>	Excise Duty Act, 1st Sch., Part I, 2nd Table	<i>(High-proof spirits not explicitly listed.)</i>	New line for “Spirits of undenatured extra neutral alcohol > 90% (by licensed manufacturers of spirituous beverages) – KSh. 500 per litre”.	- <b>Government:</b> Introduces excise on high-strength alcohol (often used for making vodka/gin). Adds a modest revenue source, though small volume. - <b>Businesses:</b> Licensed distillers of spirits face new cost; likely passed to consumers. Encourages formal licensing (as only licensed manufacturers noted). - <b>Households:</b> Possible slight increase in cost of spirit-based drinks. - <b>Investors:</b> Encourages supply of official neutral spirits; aligns with global excise trends to tax higher alcohol volumes. - <b>Recommendations:</b> Track any shrinkage of illicit alcohol production. Use



					proceeds perhaps for anti-alcohol abuse campaigns.
13	<b>“Tax invoice” definition (VAT Act)</b>	Value Added Tax Act (Cap.476), s.2(1)	“Tax invoice” defined only as physical documents.	Insert definition: “‘Tax invoice’ includes an <b>electronic tax invoice</b> issued under TPA s.23A”.	- <b>Government:</b> Legally recognizes electronic invoices, reinforcing KRA’s e-tax system (iTax) and e-invoicing regulations. Aligns VAT Act with TPA’s digital invoicing. - <b>Businesses:</b> Official sanction for e-invoices, reducing paperwork. Companies should adopt or upgrade systems. - <b>Households:</b> Minimal impact. - <b>Recommendations:</b> Provide technical guidance and transition period for small taxpayers. Ensure system security and data privacy (aligns with PFM digitalization goals).
14	<b>Sec 8(2) &amp; (3): Registration rules</b>	VAT Act, s.8(2) & (3)(g)	Sec.8(2): Text (a),(b),(c) specify who must register; Sec.8(3)(g) taxes “broadcast television”.	(a) In 8(2), insert “and” after “unregistered person”; delete existing par. (c). (b) In 8(3)(g), replace “broadcast television” with <b>“internet, radio or television broadcasting services”</b> .	- <b>Government:</b> Minor text fixes (removing redundant conjunctions, etc.). More importantly, expands VAT to radio and internet broadcasting. Broadens base to include digital media. - <b>Businesses:</b> Internet-based broadcasters and radio stations now clearly VAT-registered. - <b>Households:</b> Subscription or ad costs for broadcast media may rise slightly. - <b>Recommendations:</b> Update KRA registration portals to capture new categories; conduct outreach to media

					companies. This supports Digital Economy goals in Budget (msmes & ICT sectors).
15	<b>VAT refund claims (Sec 17)</b>	VAT Act, s.17(5)	Requires refund claims within 24 months; other refund conditions in paras (c),(d),(e).	Delete paras (c) and (e); replace (d) with: <i>“the registered person lodges the claim for refund of excess tax within <b>twelve months</b> from the date the tax becomes due and payable”</i> .	<p>- <b>Government:</b> Shortens the refund claim window to 12 months (from 24), curbing long-delayed claims and potential abuse. Aligns with prudent fiscal management (Revenue-to-GDP improving from 17.4% to 19.2%).</p> <p>- <b>Businesses:</b> Must claim VAT refunds more quickly; pressure on accounting processes. Could tighten cash flows for exporters (formerly had 2 years).</p> <p>- <b>Households:</b> Indirect, via business costs.</p> <p>- <b>Recommendations:</b> KRA should expedite refund processing and communicate deadlines to taxpayers to avoid hardship. Monitor that legitimate claims are honored within time.</p>
16	<b>Bad debts &amp; VAT offset (Sec 31)</b>	VAT Act, s.31(1)(a) & Proviso	Bad-debt relief available after 3 years; no offset against other VAT liabilities.	(a) In 31(1)(a), change “three years” to “ <b>two years</b> ”. (b) In the Proviso, insert after (c): <b>(ca) the amount may be used to offset any other VAT liability, upon Commissioner’s</b>	<p>- <b>Government:</b> Tightens bad-debt relief: claim now after 2 (not 3) years, retaining revenue for longer. Offsetting excess relief against other VAT liabilities prevents refunds flowing out unnecessarily. Helps fiscal balancing (context: pursuing 19% revenue/GDP).</p> <p>- <b>Businesses:</b> Quicker write-offs needed; reduces</p>

				<b>approval</b> ; delete old paras (d),(e).	window to claim Input VAT on defaulted invoices. Some flexibility via offset helps struggling firms. - <b>Recommendations:</b> Issue guidelines on offset approval process. Ensure compliance without excessive burdens.
17	<b>Sec 42 – “taxable person” wording</b>	VAT Act, s.42(1)	Refund eligibility refers to a “taxable person”.	Delete word “taxable” in 42(1), broadening definition to simply “person” (no change to substantive policy).	- <b>All:</b> A cosmetic change (likely aligns wording with modern VAT Act language) with no real impact on tax base. Improves consistency. - <b>Recommendations:</b> Minimal action; include in consolidation of VAT statutes.
18	<b>New s.66A – Use of exempt/zero goods</b>	VAT Act, new s.66A (insertion after s.66)	No provision addressing misuse of exempt/zero-rated inputs.	New section: If a person imports or buys goods/services exempt or zero-rated, and later disposes of or uses them inconsistently with the exemption purpose, <b>VAT is due at the rate applicable at time of disposal.</b>	- <b>Government:</b> Closes a major loophole: prevents abuse where duty-free inputs are diverted to taxable uses without payment. Expected to improve VAT collections (supports fiscal targets). - <b>Businesses:</b> Must track exempt inputs carefully; potential new liabilities if repurposed (e.g. sales of zero-rated inputs). - <b>Households:</b> None direct, but ensures fairer VAT application. - <b>Recommendations:</b> Ensure robust record-keeping by businesses (optionally allow delayed self-assessment). Announce transitional

					period/education to avoid surprise liabilities.
19	<b>1st Sch. Pt I – Remove old exemptions</b>	VAT Act, 1st Sch., Pt I, paras 49,58,62–63,89–91,109–113,128–129,143–144	Contains numerous specific VAT exemptions (many with sunset clauses).	Deletes: para 49, 58, 143–144; paras 62–63, 109–113, 128–129 (with transitional continuation to 30 June 2026). Modifies para 51 to add “excluding fuels, lubricants and tyres for vehicles” after “funded project”.	- <b>Government:</b> Scraps outdated or broad exemptions (e.g. some aviation, shipping, goods previously zero-rated) to raise revenue. The phased removal (up to 30/6/2026) minimizes immediate shock. Helps meet Budget revenue goals (from 17.4% to 19.2% GDP). - <b>Businesses:</b> Sectors losing relief (e.g. film, paper, shipping equipment) will face higher VAT costs or surrender refunds. Could dampen investment in those areas. - <b>Households:</b> Potential price increases on affected products/services. - <b>Recommendations:</b> Advance notice and maybe targeted support (e.g. for aviation sector). Align changes with PFM’s fiscal responsibility (avoid sudden deficits). Engage stakeholders to mitigate undue hardship.
20	<b>1st Sch. Pt I – New targeted exemptions</b>	VAT Act, 1st Sch., Pt I, new paras 155–164 (after 154)	(New insertion)	Adds VAT exemptions for: • Inputs/raw materials to Kenyan pharmaceutical manufacturers (per Cabinet Sec.), • Inputs for animal feeds (with	- <b>Government:</b> Implements industrial policy within VAT: promotes pharmaceutical, agro-industry, and green transport sectors (key pillars of BETA). Short-term revenue loss (through exemptions) expected to be offset by long-term economic growth and

				<p>Cabinet Sec. recommendation),</p> <ul style="list-style-type: none"> <li>• Transport of sugarcane from farms to mills,</li> <li>• Locally assembled mobile phones,</li> <li>• Motorcycles (HS 8711.60.00),</li> <li>• Electric bicycles,</li> <li>• Solar and lithium-ion batteries,</li> <li>• Electric buses (HS 87.02),</li> <li>• Bioethanol stoves (HS 7321.12.00),</li> <li>• Packaging materials for tea/coffee (with Cabinet Sec. agri approval).</li> </ul>	<p>expanded tax base. -</p> <p><b>Businesses:</b> Significant benefits for local manufacturers and farmers: lower input costs, encouraging investment (e.g. FDI in pharma or EVs). MSMEs in these sectors get a boost, potentially increasing jobs. -</p> <p><b>Households:</b> Positive long-run effects: cheaper essential goods (medicines, food, transport). -</p> <p><b>Investors:</b> Clear incentives for investment in targeted sectors; aligns with Kenya's inclusive growth strategy. -</p> <p><b>Recommendations:</b> Monitor fiscal impact; set sunset reviews to ensure growth targets met. Ensure transparent criteria (e.g. certification of "locally assembled"). Coordinate with Kenya Bureau of Standards for eligibility.</p>
21	<b>2nd Sch. Pt A – Paragraph 11 (VAT)</b>	VAT Act, 2nd Sch., Part A, para 11	<i>(Likely tax concession on certain imports, to be deleted)</i>	<p>Deletes paragraph 11. <i>(This eliminates the specified VAT zero-rating/exemption in Part A.)</i></p>	<p>- <b>Government:</b> Likely removes an outdated or redundant VAT zero-rate (possibly on export-import related item). Gains revenue by taxing this category going forward. -</p> <p><b>Businesses:</b> Those relying on para 11 (e.g. exporters or specific sector beneficiaries) lose relief, impacting cash flow. -</p> <p><b>Recommendations:</b> Identify affected industries and allow adjustment time. Ensure the</p>

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