



Digital Financial Services
Association of Kenya **DFSAK**
empowering you

SUBMISSIONS ON THE FINANCE BILL, 2025

#	Category	CLAUSE	ISSUE CONCERN	OF RECOMMENDATION (EXACT WORDING)	JUSTIFICATION
1.	Corporation Tax	Clause 8 (amending Section 15(4) and repealing 15(5) of the Income Tax Act)	Limitation of tax loss carry forward period to five years and repeal of the discretionary extension	<p>Amend Section 15(4) to read:</p> <p>“Where in any year of income the ascertainment of total income of a person results in a deficit, the amount of that deficit shall be an allowable deduction in ascertaining the total income of that person for that year and the subsequent seven years of income, or such longer period as the Commissioner may allow upon application and provision of sufficient evidence.”</p> <p>Reinstate Section 15(5) with modification: “The Commissioner may, upon</p>	<p>Clause 8 proposes rigid timelines that disadvantage early-stage companies. Reinstating conditional discretion balances tax compliance with business realities.</p>

#	Category	CLAUSE	ISSUE CONCERN	OF RECOMMENDATION (EXACT WORDING)	JUSTIFICATION
				application by a person and submission of evidence of inability to extinguish the deficit within the specified period, extend the deduction period beyond seven years.”	
2.	Tax Administration	Clause Amending Section 42 of the Tax Procedures Act	Agency notices being issued despite pending appeals	Insert new subsection under Section 42 of the Tax Procedures Act: “Where a taxpayer has appealed a decision of the Tax Appeals Tribunal or a court, the Commissioner shall not issue an agency notice under this section in relation to the disputed amount until the appeal is determined, unless the court or Tribunal has ordered otherwise.”	Prevents enforcement of tax through agency notices where the matter is actively under appeal, protecting taxpayers’ constitutional right to due process and ensuring fair resolution before collection action.

#	Category	CLAUSE	ISSUE CONCERN	OF RECOMMENDATION (EXACT WORDING)	JUSTIFICATION
3.	Tax Administration	Clause repealing Section 59A(1B) of the Tax Procedures Act)	Mandatory sharing of sensitive trade and personal data	Retain Section 59A(1B) and insert proviso: "Provided that integration with KRA systems shall not compel a taxpayer to disclose confidential commercial information or personal data without appropriate safeguards and compliance with the Data Protection Act, 2019."	Repealing this section risks violating constitutional and statutory protections around data privacy. Assurances and controls are needed before enforcement.
4.	Tax Administration	Clause repealing Section 77(2) of the Tax Procedures Act	Inclusion of weekends and holidays in appeal timelines	Retain Section 77(2): "In computing the time prescribed for making an appeal or objection under this Act, Saturdays, Sundays and public holidays shall not be reckoned."	Excluding weekends and public holidays from appeal timelines provides fairness by ensuring taxpayers have adequate time to respond, especially as many offices are closed during these periods.
5.	Corporate Tax Not captured in the Finance Bill (2025):	Paragraph 5 of the Income Tax Act (Allowability of Bad Debts Guidelines), 2024: Bad	The provision states that bad debts of a capital nature are not allowable expenses for tax purposes.	Include a clause explicitly stating that both the principal and interest components of a bad debt incurred in the normal course of lending are allowable expenses , provided they meet	Revise paragraph 5 on Bad debts of capital nature as follows: 5. For the purposes of these guidelines, a bad debt which is of a capital nature shall not be an allowable expense.

#	Category	CLAUSE	ISSUE CONCERN	OF RECOMMENDATION (EXACT WORDING)	JUSTIFICATION
	Draft Income Tax (Guidelines on Allowability of Bad Debts Guidelines), 2024	debts of capital nature <i>For the purposes of these guidelines, a bad debt which is of a capital nature shall not be an allowable expense.</i>	<p>This provision may be subject to varying interpretations, particularly for businesses in the money lending sector.</p> <p>There is ambiguity regarding the deductibility of the principal portion of bad debts for financial institutions and other taxpayers involved in lending. While some may interpret the law to allow deductions for both principal and interest, others believe only the interest portion is deductible. This lack of clarity could lead to</p>	the other conditions outlined in the guidelines.	<p>Provided that, for taxpayers engaged in the business of lending, both the principal and interest components of a loan that becomes a bad debt shall be allowable expenses, if the debt meets the conditions outlined in paragraph 2 and 3 of these guidelines.</p>

#	Category	CLAUSE	ISSUE CONCERN	OF RECOMMENDATION (EXACT WORDING)	JUSTIFICATION
			disputes with the tax authorities.		