A country’s tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for 100 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country’s taxes that forms the heart of this publication. I would also like thank Richard Jones, PKF (UK) LLP, Kevin Reilly, PKF Witt Mares, and Kaarji Vaughan, PKF Melbourne for co-ordinating and checking the entries from countries within their regions.

The WWTG continues to expand each year reflecting both the growth of the PKF network and the strength of the tax capability offered by member firms throughout the world.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

Jon Hills
PKF (UK) LLP
Chairman, PKF International Tax Committee
jon.hills@uk.pkf.com
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On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country’s personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com
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- Forensic Accounting
- Hotel Consultancy
- Insolvency – Corporate & Personal
- IT Consultancy
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- Taxation

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Please visit www.pkf.com for more information.
STRUCTURE OF COUNTRY DESCRIPTIONS

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
CAPITAL GAINS TAX
BRANCH PROFITS TAX
SALES TAX/VALUE ADDED TAX
FRINGE BENEFITS TAX
LOCAL TAXES
OTHER TAXES

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
DEPRECIATION
STOCK/INVENTORY
CAPITAL GAINS AND LOSSES
DIVIDENDS
INTEREST DEDUCTIONS
LOSSES
FOREIGN SOURCED INCOME
INCENTIVES

C. FOREIGN TAX RELIEF

D. CORPORATE GROUPS

E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES
INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A

Algeria .................. 1 pm
Angola .................. 1 pm
Argentina ................ 9 am

Australia -
  - Melbourne ............ 10 pm
  - Sydney ................ 10 pm
  - Adelaide ............. 9.30 pm
  - Perth .................. 8 pm

Austria .................. 1 pm

B

Bahamas .................. 7 am
Bahrain .................. 3 pm
Belgium .................. 1 pm
Belize .................. 6 am
Bermuda .................. 8 am
Brazil .................. 7 am
British Virgin Islands .... 8 am

C

Canada -
  - Toronto ............... 7 am
  - Winnipeg ............. 6 am
  - Calgary .............. 5 am
  - Vancouver ............ 4 am
  - Cayman Islands ....... 7 am
  - Chile .................. 8 am
  - China - Beijing ...... 10 pm
  - Colombia ............. 7 am
  - Croatia .............. 1 pm
  - Cyprus ............... 2 pm
  - Czech Republic ...... 1 pm

D

Denmark .................. 1 pm
Dominican Republic ....... 7 am

E

Ecuador .................. 7 am
Egypt .................. 2 pm
El Salvador ............. 6 am
Estonia .................. 2 pm

F

Fiji .................... .12 midnight
Finland .................. 2 pm
France .................. 1 pm

G

Gambia (The) ............. 12 noon
Georgia .................. 3 pm
Germany .................. 1 pm
Ghana .................. 12 noon
Greece .................. 2 pm
Grenada .................. 8 am
Guatemala ................ 6 am

Guernsey .................. 12 noon
Guyanese .................. 7 am

H

Hong Kong ............... 8 pm
Hungary .................. 1 pm

I

India ................... 5.30 pm
Indonesia ................ 7 pm
Ireland .................. 12 noon
Isle of Man ............... 12 noon
Israel .................. 2 pm
Italy .................. 1 pm

J

Jamaica .................. 7 am
Japan .................. 9 pm
Jersey .................. 12 noon
Jordan .................. 2 pm

K

Kazakhstan ............... 5 pm
Kenya .................. 3 pm
Korea .................. 9 pm
Kuwait .................. 3 pm

L

Latvia .................. 2 pm
Lebanon .................. 2 pm
Liberia ............... 12 noon
Luxembourg ............. 1 pm

M

Malaysia ............... 8 pm
Malta .................. 1 pm
Mauritius ............... 4 pm
Mexico .................. 6 am
Morocco ............... 12 noon

N

Namibia .................. 2 pm
Netherlands (The) ...... 1 pm
New Zealand ........... 12 midnight
Nigeria .................. 1 pm
Norway .................. 1 pm

O

Oman .................. .4 pm

P

Panama .................. 7 am
Papua New Guinea ........ 10 pm
Peru .................. 7 am
Philippines ............ 8 pm
Poland .................. 1 pm
Portugal ............... 1 pm
Puerto Rico ............ 8 am

PKF Worldwide Tax Guide 2012
Q
Qatar ............................. 8 am

R
Romania .......................... 2 pm
Russia -
   Moscow ......................... 3 pm
   St Petersburg .................. 3 pm

S
Sierra Leone ............... 12 noon
Singapore ....................... 7 pm
Slovak Republic ............. 1 pm
Slovenia ......................... 1 pm
South Africa ................... 2 pm
Spain ............................ 1 pm
Sweden .......................... 1 pm
Switzerland ..................... 1 pm

T
Taiwan ........................... 8 pm
Thailand .......................... 8 pm
Tunisia ........................... 12 noon
Turkey ........................... 2 pm
Turks and Caicos Islands .. 7 am

U
Uganda ........................... 3 pm
Ukraine ........................... 2 pm
United Arab Emirates ....... 4 pm
United Kingdom ............ (GMT) 12 noon
United States of America -
   New York City ............... 7 am
   Washington, D.C. ........... 7 am
   Chicago ...................... 6 am
   Houston ..................... 6 am
   Denver ...................... 5 am
   Los Angeles ................. 4 am
   San Francisco ............... 4 am
   Uruguay .................... 9 am

V
Venezuela ...................... 8 am
Vietnam ........................... 7 pm
KENYA

Currency: Shilling (KES)  
Dial Code To: 254  
Dial Code Out: 00

Member Firm:  
City: Nairobi  
Name: Martin Kisuu  
Contact Information: 20 4446616-9  
mkusuu@ke.pkfe.com

A. TAXES PAYABLE

COMPANY TAX
Company tax is based on computed tax profits as follows:

- Turnover tax: 3% of turnover (with effect from 1 January 2007 for turnover of up to Kshs 5,000,000)
- Resident companies: 30%
- Non-resident companies: 37.5%

CAPITAL GAINS TAX
Not applicable as this tax is presently suspended in Kenya.

BRANCH PROFITS TAX
Branch of a foreign entity: 37.5%.

SALES TAXES/VALUE ADDED TAX (VAT)
The tax rate is 16% and 0%. Exports zero rated and there is a lower rate of 12% for industrial fuel and electricity. Some goods and services such as unprocessed agricultural products and financial services are exempt.

FRINGE AND EMPLOYMENT BENEFITS TAX
Generally, non-cash benefits are taxable on the higher of the cost incurred by the employer and the fair market value. The taxable value is added to the emoluments for tax purposes. Exempt if aggregate total does not exceed Kshs 36,000 per annum.

MOTOR VEHICLES
The benefit is the higher of 2% per month of the initial cost of the vehicle and prescribed rates. For leased vehicles the benefit is the cost of leasing.

HOUSING
For non-executive directors the benefit is the higher of 15% of total income (emoluments - for a full time service director), market value and rent paid. For agricultural employees it is 10% of emoluments. For other employees it is the higher of rent paid and 15% of emoluments.

LOANS TO EMPLOYEES
These are taxed at corporate tax rate on difference between the interest rate prescribed by the Commissioner and the actual rate paid by employee.

OTHER BENEFITS
The taxable benefit of furniture is 1% of cost per month, telephone 30% of cost per month, employee share ownership plan (ESOPs) the difference between the market price of shares and offer price at date option is granted.

LOCAL TAXES
Employment income is taxed on a withholding tax basis known as Pay As You Earn (PAYE) at a graduating scale of 10%-30%.

OTHER TAXES

LAND RATES
Land rates are based on the percentage of the site value.

NATIONAL SOCIAL SECURITY FUND (NSSF)
Contributions are set at 5% of monthly income up to a maximum of Kshs400 per month, half paid by the employer and the balance by the employee.

NATIONAL HOSPITAL INSURANCE FUND (NHIF)
Payments are set at graduated scale rates starting at Kshs150 per month to a maximum of Kshs2,000 per month depending with employee income.
SINGLE BUSINESS PERMIT
Depending on the type of business this costs a minimum of Kshs 2,000 to a maximum of Kshs100,000.

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
The rates for capital allowances are as follows:

<table>
<thead>
<tr>
<th>Wear and tear:</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractors/heavy vehicles</td>
<td>37.5%</td>
</tr>
<tr>
<td>Computers</td>
<td>30%</td>
</tr>
<tr>
<td>Other motor vehicles, aircrafts</td>
<td>25%</td>
</tr>
<tr>
<td>Ships, plant, machinery, furniture and equipment</td>
<td>12.5%</td>
</tr>
<tr>
<td>Telecommunication equipment</td>
<td>20%</td>
</tr>
</tbody>
</table>

Industrial building allowances:

| Factories (2.5% up to 2009)                         | 10% from 1 January 2010 |
| Prescribed hotels-(up to 2006 was 4%)              | 10% from 1 January 2010 |
| Prescribed low-cost residential housing developments| 5%                    |
| Hostels or approved educational building-(from 2007 was 10%) | 50% from 1 January 2010 |
| Commercial Buildings                               | 2.5% from 12 June 2009 |
| Commercial Buildings with services                 | 25% from 12 June 2009 |
| Residential Buildings                              | 5% from 12 June 2009   |
| Residential Buildings with services                | 25% from 1 January 2010|
| Farm works                                         | 100% from 1 January 2011|
| Investment deductions eligible for building and machinery for manufacture (from 2008) | 100% |
| Investment deductions eligible for construction of a building or purchase and installation of machinery of 200m or over outside Nairobi, Mombasa & Kisumu | 150% |
| Manufacturing under Bond – combined investment deduction | 100% |
| Shipping investment deduction                      | 40% of cost of ship    |

Mining allowance (on capital expenditure or mining)

| Year 1                                             | 40%     |
| Years 2–7                                          | 10%     |

DEPRECIATION
This is an accounting expense not allowable for tax purposes but wear and tear allowances as shown above are given instead.

STOCK/INVENTORY
The cost of sales is deducted as allowable expenditure before arriving at taxable profits.

CAPITAL GAINS AND LOSSES
Gains are not taxable and losses are not allowable since the suspension of capital gains tax.

DIVIDENDS
Dividends are taxed on a withholding tax basis which is final tax. Expenses are therefore not allowable on the dividends income or any other income of the taxable person. Dividends are tax exempt for resident companies controlling more than 12.5% shareholding. Dividends received by financial institutions are exempt.

However, compensating tax (corporation tax) may arise if non-taxed income is distributed, e.g. capital gain or profits on capital allowances. It is worked out through an annual dividends tax account which traces the movement of dividends received or paid and taxes paid.

INTEREST DEDUCTIONS
Interest incurred wholly and exclusively in the production of income is allowable. However, where a company is controlled by a non-resident person together with four or fewer resident
persons, the interest deductibility is restricted only to the extent that the total indebtedness of
the company does not exceed three times the paid-up share capital and revenue reserves
or an amount of deemed interest (thinly capitalised). The Commissioner of Income Tax is
empowered to prescribe the form and manner in which deemed interest is to be computed.
Realised foreign exchange losses are deferred as long as the firm is thinly capitalised.

LOSSES
Tax losses in Kenya used to be carried forward perpetually to be allowed against
future income. However, a five year time limit has been introduced effective 1
January 2010 inclusive of the year incurred. The loss is only allowed on income from
the same specific source. These sources are:
(a) income from renting or occupation of immovable property
(b) income from employment
(c) income from agriculture, horticulture, forestry, etc
(d) income from withdrawals from a registered pension/provident fund by employer
(e) business activities.

Losses are, however, not transferable from one entity to another.

FOREIGN SOURCED INCOME
Income that is not income accrued or derived from Kenya is not assessable in Kenya
except:
(a) employment income for an employee who at the time of employment was a
resident person in respect of any employment by him outside or inside Kenya
(b) business activities carried out across borders
(c) foreign bank branches’ income on investments or trading abroad using locally
generated income.

INCENTIVES
Capital deductions are as given under ‘Capital allowances’ above. There are currently double
taxation treaties with UK, India, Germany, Zambia, Norway, Sweden, Denmark and Canada.

A ten year tax holiday is available to certain designated enterprises that undertake
activities consisting of the manufacture of goods for exports only (under the export
processing zones). At the end of the tax holiday, a reduced rate of tax of 25% is available.
A lower rate of corporation tax at 27% for the first three years for companies newly
listed on a securities exchange, with at least 20% of the issued share capital listed.
Tax exemptions apply for organisations undertaking charitable, medical, alleviation of
poverty, and religious activities.

C. FOREIGN TAX RELIEF
Foreign tax relief is limited only to countries with double taxation relief.

D. CORPORATE GROUPS
Generally for tax purposes, a corporation tax rate of 30% and applies to all incorporated
companies irrespective of groups in Kenya. The rate is 37.5% for non-resident companies.

E. RELATED PARTY TRANSACTIONS
Related party transactions are allowable expenses if incurred wholly and exclusively in
the production of income and taxed as income if earned or accrued in Kenya as business
activities. Transfer pricing rules were brought into operation with effect from 1 July 2006.

F. WITHHOLDING TAX
The relevant rates are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Resident</th>
<th>Non-Resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artists and entertainers</td>
<td>–</td>
<td>20%</td>
</tr>
<tr>
<td>Management fees</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Professional fees</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>Training fees (inclusive of incidental costs)</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>#Winnings from betting and gaming</td>
<td>20%</td>
<td>Nil</td>
</tr>
<tr>
<td>Royalties</td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td>Dividends (nil for shareholders with &gt;12.5%)</td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>Equipment Leasing</td>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Resident | Non-Resident
---|---
Interest (bank) | 15% | 15%
Interest (Housing bond-HBI) | 10% | 15%
Interest Two-year government bearer bonds | 15% | 15%
Other bearer bonds interest | 25% | 25%
Rents – buildings (immovable) | N/A | 30%
Rents – others (except aircraft) | 3% | 15%
Pensions/provident schemes (withdrawal) | 10-30% | 5%
Insurance commissions | 10% | 20%
Consultancy and agency (from 1 July 2003) | 5% | 20%
Contractual (from 1 July 2003) | 3% | 20%
Message transmission | – | 5%

* With effect 9 June 2011
# With effect 1 January 2012

**G. EXCHANGE CONTROL**

The Foreign Exchange Control Act was repealed in 1995 and therefore no restrictions are now in place.

**H. PERSONAL TAX**

The tax rates are as follows:

<table>
<thead>
<tr>
<th>Yearly income (Kshs)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 121,968</td>
<td>10%</td>
</tr>
<tr>
<td>121,969 to 236,880</td>
<td>15%</td>
</tr>
<tr>
<td>236,881 to 351,792</td>
<td>20%</td>
</tr>
<tr>
<td>351,793 to 446,704</td>
<td>25%</td>
</tr>
<tr>
<td>Over 446,704</td>
<td>30%</td>
</tr>
</tbody>
</table>

**I. TREATY AND NON-TREATY WITHHOLDING TAX RATES**

The withholding tax rates are as follows:

<table>
<thead>
<tr>
<th>United Kingdom (%)</th>
<th>Germany &amp; Canada (%)</th>
<th>Denmark, Norway, Sweden &amp; Zambia (%)</th>
<th>India (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and professional fees</td>
<td>12.5</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Royalties</td>
<td>15</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Dividends</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Interest</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Pension and retirement annuities</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Entertainment and sporting events</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Promoting entertainment or sporting events</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Rent - immovable property</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Rent - Other than immovable property</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

(i) 0% if dividend subject to tax in Zambia