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**SPECIAL ISSUE**

*Kenya Gazette Supplement No. 216 (National Assembly Bills No. 48)*

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REPUBLIC OF KENYA

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**KENYA GAZETTE SUPPLEMENT**

**NATIONAL ASSEMBLY BILLS, 2020**

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**NAIROBI, 27th November, 2020**

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**THE TAX LAWS (AMENDMENT) (NO. 2) BILL, 2020**

**A Bill for**

**AN ACT of Parliament to make amendments to tax related laws**

**ENACTED** by the Parliament of Kenya, as follows—

1. This Act may be cited as the Tax Laws (Amendment) (No. 2) Act, 2020 and shall come into force on the 1st January, 2021.

Short title and commencement.

2. The several laws specified in the first column of the Schedule are amended in the provisions specified in the second column thereof, in the manner specified in the third column.

**SCHEDULE**

<i>Written Law</i>	<i>Provision</i>	<i>Amendment</i>
The Income Tax Act (Cap. 470)	s.12D (1) (c)	<del>Delete the word “higher”</del> and substitute therefor the word “lower”
	Third Schedule Head B	Delete item 1 and 1A of Head B (Rates of Tax) and substitute therefor the following new items—
		1. The individual rates of tax shall be—
		Rate in each shilling
		On the first shs. 288,000      10%
		On the next shs. 200,000      15%
		On the next shs. 200,000      20%
		On the next shs. 200,000      25%
		On all income above shs. 888,000      30%
		1A. The wife’s employment, wife’s professional and wife’s self-employment income rates of tax shall be—
		On the first shs. 288,000      10%

On the next shs. 200,000	15%
On the next shs. 200,000	20%
On the next shs. 200,000	25%
On all income above shs. 888,000	30%

Item 2 (a) Insert the following proviso to sub-paragraph (viii) —

Provided that this provision shall apply to the income earned from the 25th April, 2020.

Insert the following sub-paragraph immediately after item (viii) —

(ix) For the year of shs. 6.00 income 2021 and each subsequent year of income

Provided that this provision shall apply to the income earned from the 1st January, 2021.

Item 5 (d) (i) Delete the tabulation of rates and income bands and substitute therefor the following new rates and income bands—

	Rate in each shilling
On the first shs. 400,000	10%
On the next shs. 400,000	15%
On the next shs. 400,000	20%
On the next shs. 400,000	25%
On all income above shs. 1,600,000 of the amounts in excess of the tax-free amount	30%

Item 5. (d) (ii) Delete the tabulation of rates and income bands and substitute therefor the following new rates and income bands—

	Rate in each Shilling
On the first shs. 288,000	10%
On the next shs. 200,000	15%
On the next shs. 200,000	20%
On the next shs. 200,000	25%
On all income above shs. 888,000	30%

The Value Added Tax Act, 2013

s.17

Insert the following new subsection immediately after subsection (7) —

(No. 35 of 2013)

(8) Notwithstanding the provisions of this section, a registered person who is a manufacturer may make a deduction for input tax with respect to taxable supplies made to an official aid funded project as may be approved by the Cabinet Secretary in accordance with the First Schedule.

**MEMORANDUM OF OBJECTS AND REASONS**

The Tax Laws (Amendment) (No. 2) Bill, 2020 seeks to make several amendments to the following tax-related statutes –

**The Income Tax Act (Cap. 470)**

The Bill seeks to amend the provision on minimum tax to provide that it will apply only if it is lower than instalment tax.

The Bill also seeks to amend the Income Tax Act to amend the individual top tax rate and resident corporate tax rate. It is proposed to increase the top individual income tax rate and corporate income tax rate on resident companies from 25% to 30%.

**The Value Added Tax Act, 2013 (No. 35 of 2013)**

The Bill seeks to amend the Value Added Tax Act to amend the provision on Credit for input tax against output tax.

**Statement on the delegation of legislative powers and limitation of fundamental rights and freedoms**

The Bill does not limit fundamental rights and freedoms.

**Statement that the Bill does not concern county governments**

The Bill does not concern County Governments in terms of Article 110 (1) (a) of the Constitution as it does not affect the functions and powers of County Government set out in the Fourth Schedule.

**Statement that the Bill is a money Bill within the meaning of Article 114 of the Constitution**

The enactment of this Bill contains provisions dealing with taxes.

Dated the 27th November, 2020.

GLADYS WANGA,  
*Chairperson, Departmental  
Committee on Finance and National Planning.*