



**REPUBLIC OF KENYA  
THE NATIONAL TREASURY & PLANNING  
OFFICE OF THE CABINET SECRETARY**

**PRESS STATEMENT**


Friday, 4<sup>th</sup> December, 2020.

FOR IMMEDIATE RELEASE

**RETURN TO PRE-COVID-19 TAXES ON VAT AND  
INCOME TAX**

In April, 2020 under the direction of His Excellency President Uhuru Kenyatta, the National Treasury & Planning lowered Corporate, Individual Income (PAYE) and Value Added Tax (VAT) rates as part of the government's efforts to cushion individuals and businesses from the adverse effects of the COVID-19 pandemic. This was clearly stated as a temporary measure with the understanding that they will be reviewed as soon as economic activities pick up.

The measures comprised of lowering of both corporate tax for resident entities and top individual income tax from 30% to 25%.

In addition, incomes of individuals earning less than KES 24, 000.00 per month were fully exempted (100%) from Pay As You Earn (PAYE) tax. This indeed, increased tax relief for individuals from KES 16, 896.00 to KES 28, 800.00. 



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Furthermore, Value Added Tax (VAT) was reduced from 16% to 14%. It's important to note that even at the earlier rate, Kenya's VAT is considered the lowest in the region.

These temporary tax relief measures were deemed necessary to support Kenyan businesses and provide critical relief to the most vulnerable in society as they devise mechanisms of coping with the realities of the pandemic. The global and our own domestic containment measures including curfews targeted at stopping the spread of COVID-19, as well as lowering of taxes impacted negatively on the government's revenue collection.

Indeed, the government will have, as at 31<sup>st</sup> December, 2020, foregone tax revenues totalling KES 65 billion, over the course of the preceding seven months. This in due course has and will affect the implementation of the government's priority programmes under the Big Four Agenda and the recovery of the economy in general.

In respect of the foregoing, and given the easing of some of the containment measures and subsequent resumption of normalcy, it has, therefore, become necessary to return to the pre-COVID-19 tax rates,



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effective 1<sup>st</sup> January, 2021, as outlined below, to enable the implementation of the government budget:

- the Corporate Tax rate *reverts* to 30% from the current 25%
- the Individual Income Tax rate *reverts* to 30% from the current 25%
- the Value Added Tax rate (VAT) *reverts* to 16% from the current 14%

It is important to note that these are not new tax rates, but just a return to the prevailing tax rate before the onset of the pandemic. This is indeed within the knowledge of all stakeholders.

However, the government will continue to cushion the low-income earners, by retaining 100% tax exemption/relief for those earning monthly incomes of KES 24, 000.00 and below.

Alongside these measures, the government will continue to roll-out interventions under the **KES 58.1 billion Economic Stimulus Programme (ESP)**, such as *Kazi Mtaani* and others, to cushion vulnerable citizens and also enhance the liquidity of businesses.

Further, the Government has rolled out a medium term **Economic Recovery Strategy** that will re-position the economy on a path to prosperity.

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In spite of the pandemic's effects, it is noteworthy that the National Treasury & Planning has continued to maintain macro-economic stability as evidenced by the prevailing low and stable inflation and interest rates as well as a competitive exchange rate.

A handwritten signature in black ink, appearing to be 'Ukur Yatani', written over a circular stamp or seal.

**Hon. Ambassador Ukur Yatani, EGH  
Cabinet Secretary for The National Treasury & Planning**

NAIROBI, 4<sup>th</sup> December, 2020.

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