Finance Act, 2026 Advisory

Kenya tax, customs and import-cost changes affecting importers, manufacturers, investors and logistics clients

Prepared for Kenya Tradex clients in Kenya | 16 July 2026

Executive Brief

- The Finance Act, 2026 was assented to on 23 June 2026. Most provisions commenced on 1 July 2026, with Section 43 commencing on 1 September 2026 and Sections 17, 18 and 24 commencing on 1 January 2027.
- For importers, the most important operational change is the new requirement to obtain and retain foreign export declarations or equivalent customs export documents for goods imported into Kenya.
- For landed-cost planning, the Act changes VAT treatment, introduces or revises excise duty on several imported goods, amends miscellaneous fee and levy exemptions, and strengthens KRA assessment powers.
- For manufacturers and large investors, the Act creates targeted VAT/exemption opportunities for pharmaceuticals, PPP infrastructure, large manufacturing investment, LPG storage infrastructure and specified capital projects.

Commencement Timeline

Effective date	Provision	Business meaning
1 July 2026	All sections except Sections 17, 18, 24 and 43	Most income tax, VAT, excise duty, Tax Procedures, Miscellaneous Fees and Levies, Affordable Housing, Stamp Duty and Road Maintenance changes are now live.
1 September 2026	Section 43: Tax Procedures Act section 23B	Importers must obtain and retain export declarations or equivalent customs export documents from the country of export for five years.
1 January 2027	Sections 17, 18 and 24	Income-tax return timing and specified non-resident/repatriated income rate amendments take effect from 2027.

Priority Controls For The Next 30 Days

Import Evidence	Landed Cost	Approvals
Request the supplier-country export declaration or equivalent customs document before cargo departure.	Reprice affected goods where VAT, excise, IDF/RDL or approval-based relief may change the payable amount.	Do not rely on PPP, LPG, pharma or capital-investment relief without written approval and end-use evidence.

What This Means For Clients

Client group	What changes	Action now
Importers and clearing teams	Importers must retain export declarations, export entries, customs export certificates or equivalent documents evidencing lawful export from the country of export.	Add foreign export documents to every import file before shipment. Treat missing documents as a customs valuation, origin and relief risk.
Manufacturers	New VAT exemptions and input rules affect pharmaceuticals, manufacturing capital goods, LPG infrastructure, PPP projects and supplies to security agencies.	Map each input, equipment purchase and project import to a specific exemption or taxable treatment before purchase order approval.
Retail and distribution importers	Excise duty changes affect imported plastics, ceramic sanitary fixtures, ceramic tiles, float glass, MDF, particle board, block board, plywood, timber, PVC/banner sheeting and selected appliances.	Refresh price lists and landed-cost models; check whether excise applies on value, kg, litre or the higher of both.
Project cargo and infrastructure clients	PPP infrastructure goods and services, National Infrastructure Fund projects, LPG storage projects and large capital investments may access targeted VAT/MFL relief where approvals are obtained.	Build approval lead time into project import schedules and keep end-use evidence ready.

Client group	What changes	Action now
Aviation and air transport clients	Income tax and MFL/VAT rules include aircraft-related and national-carrier provisions, including timing of tax for certain shipping/transport income and aircraft goods references.	Review contracts with non-residents, aircraft parts treatment and tax timing before invoicing or port/airport release.
Finance, fintech and digital platforms	Royalty/management-fee definitions now cover software and payment-card networks; VAT treatment of payment processing and merchant/acquiring platform services is clarified.	Review withholding tax, VAT and contract wording for card, payment gateway, acquiring and software arrangements.
All taxpayers using eTIMS/iTax	KRA may issue pre-populated returns and revised penalties apply for failures to issue electronic tax invoices, file electronically or pay electronically.	Reconcile KRA pre-filled data against books monthly; document system outages and correction steps.

Owner Checklist

Owner	Immediate control
Procurement	Add foreign export documents and tax-change review to supplier onboarding and purchase-order approval.
Clearing team	Match export declaration details to invoice, BL/AWB, packing list, origin, value and HS code.
Finance/tax	Reconcile iTax, eTIMS, customs entries and accounting records monthly to reduce assessment exposure.
Commercial	Refresh quotes and price lists where excise or specific-duty-style charges affect landed cost.

Selected Changes To Watch

Tax head	Selected Finance Act change	Client implication
Customs evidence	New TPA section 23B requires importers to obtain and retain export declarations or equivalent customs export documents for five years.	Missing supplier-country export documentation may allow KRA to reject import claims, reassess value/origin/tax or deny deductions, exemptions, refunds or relief.
Income tax	Tax on certain shipping income is payable within five days after payment is received or the ship leaves the port of lading, whichever is earlier.	Shipping and freight contracts should track payment receipt and vessel departure dates.
Withholding tax	Sale of scrap metal and winnings are brought into withholding-tax provisions; scrap metal rate is 1.5% and winnings rate is 20%.	Scrap dealers and industrial recyclers should update withholding tax controls.
VAT input tax	Input tax deduction is allowed for specified supplies to KDF, Defence Forces Welfare Services, NIS and National Police Service where documentation is prescribed.	Suppliers to security agencies should separate qualifying supplies and keep prescribed evidence.
VAT exemption adjustment	Where taxable supplies become exempt and remain unsold, input tax previously deducted must be adjusted in the return for the period the supply becomes exempt.	Stock transitions require a VAT review before exemption changes take effect.
VAT exemptions	New exempt items include scrap metal, pharmaceutical raw materials/inputs, BEV stoves, PPP infrastructure goods/services, qualifying LPG infrastructure and approved large capital investments.	Relief is approval- and documentation-heavy; confirm eligibility before import entry.
Excise duty	New or revised excise applies to imported plastics, ceramic fixtures/tiles, fruit juice, sugar, MDF, particle board, block board, plywood, timber, PVC/banner sheeting, shower heads and other items.	Excise can materially change landed cost and cash flow at importation.
Tax procedures	KRA receives broader anti-avoidance and assessment powers using electronic systems, inspections, data management systems and other statutory information.	Expect tighter data matching across iTax, eTIMS, customs and third-party records.
Electronic compliance	Failure to comply with electronic invoicing/filing/payment can attract the higher of 5% of tax due, KSh 100,000 for companies or KSh 10,000 for individuals.	Keep evidence of system failures and timely remedial action.
MFL/RDL exemptions	Second Schedule exemptions are updated for aircraft-related goods and qualifying LPG storage tank infrastructure investments of at least KSh 5 billion.	Project and aviation imports should be checked against the updated exemption schedule.

Excise Duty: Imported Goods Watchlist

Goods category	Finance Act treatment	Landed-cost watch point
Imported plastics, tariff headings 3923.30.00 and 3923.90.90	10% excise duty.	Confirm exact plastic article tariff line and whether import is finished packaging or input.
Imported ceramic sanitary fixtures, heading 6910	5% of excisable value or KSh 50/kg, whichever is higher.	Weight-based floor may dominate low-value consignments.
Imported ceramic tiles/flags/paving/finishing ceramics, heading 6907	5% of excisable value or KSh 50/kg, whichever is higher.	Review both customs value and net weight before quoting.
Imported MDF, particle board, block board, plywood and timber	30% of excisable value on specified tariff numbers.	Wood-panel importers should reprice immediately.
Imported unprinted banner/flex/PVC sheeting	KSh 200/kg or 35% of excisable value.	High impact for signage, advertising and PVC-sheet importers.
Imported shower heads and heating elements for shower heads	35% of excisable value.	Appliance importers should review tariff classification and product descriptions.
Imported sugar	KSh 40/kg, subject to exclusions for pharmaceutical manufacturers and raw sugar for licensed refineries.	Confirm licence status and intended use before claiming exclusion.
Antique, vintage and classic vehicles	50% of excisable value.	Applies where first registration is at least 30 years before purchase and value is at least KSh 10 million.

Immediate Client Actions

- Update import checklists to require supplier-country export declaration, customs export certificate or equivalent document before cargo departure.
- Add a five-year retention control for import documents, aligned to BL/AWB, supplier invoice, packing list, certificate of origin and import entry.
- Rebuild landed-cost templates for affected excise lines and for goods where relief now depends on approval or recommendation by a Cabinet Secretary.
- For PPP, LPG, pharmaceutical, manufacturing and large-investment imports, confirm written approval before relying on VAT or MFL/RDL relief.
- Reconcile customs data, eTIMS invoices, iTax returns and accounting records monthly because KRA assessment powers now rely heavily on electronic and third-party data.
- For goods already ordered or in transit, run a quick exposure review: tariff line, import date, excise status, VAT treatment, exemption documentation and supplier export documentation.

Kenya Tradex Support

- HS-code and tax-treatment review before shipment.
- Landed-cost recalculation covering duty, VAT, excise, IDF/RDL and other levies.
- Import-file document checklist design, including foreign export declaration controls.
- VAT and exemption eligibility review for project cargo, LPG, pharma, manufacturing and PPP imports.
- KRA/iCMS/eTIMS compliance support through Mombasa, Nairobi ICD and JKIA clearance workflows.

Contact Kenya Tradex

Scan to contact Kenya Tradex

Website: https://kenyatradex.africa

Email: info@kenyatradex.africa

WhatsApp: +254 721 596 259

Important Note

Primary source reviewed: The Finance Act, 2026, Kenya Gazette Supplement No. 157, Acts No. 19, Nairobi, 26 June 2026.

Key sections for trade clients: Sections 1, 6, 16, 25-33, 34-37, 42-49, 51-52 and 55.

This advisory is a practical client guide and does not replace legal advice, a KRA ruling, customs valuation advice or tax-agent review.