



DOMESTIC TAXES DEPARTMENT

EMPLOYER'S GUIDE TO PAY AS YOU EARN IN KENYA

REVISED EDITION - 2017

IMPORTANT:

The objective of this booklet is to explain the system of deducting income tax from employees' emoluments. It does NOT therefore in any way modify or replace the General Legislation (Income Tax Act Cap 470 and the Tax Procedures Act, 2015). The Guide is available on the KRA website.

NOTE:

- I. This issue contains important amendments affecting P.A.Y.E. operations up to the year 2016.
- II. This Edition incorporates (P38) Monthly Tax Tables (See Page iii)



ISO 9001:2000 CERTIFIED

FORM P.7





DEAR EMPLOYER,

The Finance Acts (2009 to 2016) contain amendments to the Income Tax Act (Cap 470) which affect the operation of PAYE. This edition also contains provisions of the Tax Procedures Act, 2015

1. PENSION

The exempt limit was increased from Kshs. 180,000 p.a (15,000 p.m) to Kshs. 300,000 p.a (25,000 p.m). The exempt limit for lump sum was increased from Kshs. 480,000 to Kshs. 600,000. Pension income is now taxable under the WHT regime and not under the PAYE regime. Effective date: 1st January, 2010. Monthly pension granted to a person who is sixty five (65) years old or more is exempt from tax.

2. GRATUITY

Gratuity paid into retirement schemes registered by the Commissioner subject to limit of Kshs. 240,000 p.a is not taxable.

Effective date: 1st January, 2011

3. OBJECTIONS

An employer disputing the imposition of a penalty or any other decision by the Commissioner can lodge an objection within 30 days.

Effective date: 11th June, 2010

4. GROUP INSURANCE COVER

Premiums paid by the employer for group life policy are not taxable benefits on the employees unless such a cover confers a benefit on an employee.

Effective date: 1st January, 2014

5. VACATION BENEFIT

Expenditure incurred by the employer on vacation trips to destinations in Kenya and not exceeding 7 days is not a taxable benefit on the employee.

Applicable from: 13th June, 2014 to 1st July, 2015

6. MEALS TO EMPLOYEES

Value of meals to employees provided by the employer not exceeding Kshs. 4,000 p.m per employee is not a taxable benefit.

Effective date: 13th June, 2014

7. MORTGAGE RELIEF

Mortgage relief on owner occupied interest has been increased from Kshs. 150,000 p.a (12,500 p.m) to Kshs. 300,000 p.a (Kshs. 25,000 p.m)

Effective date: 1st January, 2017

8. EXEMPTION OF BONUS, OVERTIME ALLOWANCE & RETIREMENT BENEFITS

Bonuses, overtime allowance and retirement benefits paid are tax exempt where they are paid to an employee whose salary before the bonus and overtime allowance does not exceed Kshs. 11,180 p.m. (i.e. 134,164 pa).

Effective date: 1st July, 2016

9. INCOME TAX BANDS AND PERSONAL RELIEF

The individual income tax bands have been expanded and the personal relief increased.

Effective date: 1st January, 2017

10. TAX PROCEDURES ACT, 2015

Penalties and interest are charged under this Act.



B. KORONGO, OGW.

COMMISSIONER OF DOMESTIC TAXES

NOTE:

Legal Notice No. 36 of 2010 amended the Persons with Disabilities Act (Act No. 14 of 2003) by introducing an exemption from income tax for persons with disabilities for an amount of upto Kshs. 1.8 million p.a (Kshs. 150,000 p.m).

P.38 TAX TABLES**TAX TABLE FOR MONTHLY INCOME: YEAR 2017**

MONTHLY TAXABLE INCOME (INCOME BRACKETS)	TAX ON TAXABLE INCOME	TAX RATE IN EACH SHILLING
For Taxable Income under Kshs. 11,180	Kshs. 1,118 on Taxable Income of Kshs. 11,180	10%
For Taxable Income from Kshs. 11,181 but under Kshs. 21,715	Kshs. 1,118 plus Kshs. 1,580 Tax on Taxable Income of Kshs. 10,534	15%
For Taxable Income from Kshs. 21,715 but under Kshs. 32,249	Kshs. 2,698 plus Kshs. 2106 Tax on Taxable Income of Kshs. 10,534	20%
For Taxable Income from Kshs. 32,249 but under Kshs. 42,782	Kshs. 4,804 plus Kshs. 2,633 Tax on taxable Income of Kshs. 10,534	25%
For taxable Income from Kshs. 42,782 and above.	Kshs. 7,438 plus Tax calculated at 30% on Taxable Income over Kshs. 42,782	30%

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PART 1: GENERAL

1. "PAY AS YOU EARN" APPLIES TO ALL EMPLOYMENTS

The "Pay As You Earn" method of deducting income tax from salaries and wages applies to all income from any office or employment. Thus "Pay As You Earn" applies to weekly wages, monthly salaries, annual salaries, bonuses, commissions, directors' fees (whether the director is resident or non-resident) and any other income from an office or employment. The system applies to all cash emoluments and all credits in respect of emoluments to employees' accounts with their employers, no matter to what period they relate.

It includes the value of housing where this is supplied by the employer.

It does not include earnings from "casual employment" which means any engagement with any one employer which is made for a period of less than one month, the emoluments of which are calculated by reference to the period of the engagement or shorter intervals. Regular part-time employees and regular casual employment where the employees are employed casually but regularly are not considered to be casual employees.

2. EMPLOYER'S DUTY TO DEDUCT INCOME TAX

It is the employer's statutory duty to deduct income tax from the pay of his employees whether or not he has been specifically told to do so by the Department.

The normal P.A.Y.E. year runs from 1st January to 31st December.

3. PURPOSE OF EMPLOYER'S GUIDE TO "PAY AS YOU EARN"

The purpose of this Guide is to assist employers in general operation of P.A.Y.E. system. Where a problem arises which is not covered in this Guide, then Employers should contact the nearest Domestic Taxes Office for assistance.

4. REGULATIONS

This booklet is only a guide and in no way modifies the general legislation. The administration of the Law is vested in the Commissioner of Domestic Taxes Department who may authorize other persons to perform the majority of the duties for which he is responsible.

The relevant legislation is contained in Section 37 of the Income Tax Act and such rules as the Cabinet Secretary may have made under section 130; and sections 38 and 83 of the Tax Procedures Act, 2015.

If any employer fails to comply with the provisions of section 37 and with the provisions of any rules made under section 130 which deal with the payment over of tax deducted and the accounting for it to the Commissioner, the Commissioner may by order impose a penalty equal to twenty five percent of the amount of tax involved or ten thousand shillings whichever is greater, and the provisions of the Act relating to the collection and recovery of the tax shall apply to the

collection and recovery of any tax payable and such penalty as if it were tax due by the employer.

5. DEFINITIONS OF TERMS USED

(A) EMPLOYER

For “Pay As You Earn” purposes the term “employer” is to be taken, when necessary, to include:

- i. Any person having control of payment of remuneration;
- ii. Any agent, manager or other representative in Kenya of any employer who is outside Kenya;
- iii. Any paying officer of Government or other public authority;
- iv. Any trust or insurance company or other body or person paying pensions.

It may accordingly include the manager of a branch or farm as well as the main employer. The main employer must decide which offices, etc., are to be “pay point” (see below) and ensure that those in charge are adequately instructed in their duties under the scheme.

(B) EMPLOYEE

This word is defined as inclusive of any holder of an appointment of office, whether public, private or calling, for which remuneration is payable. “Employee” should be read as including, for example,

cabinet secretary, any public servant, company director (resident or non-resident), secretary, individuals working for any Religious Organization etc., in addition to those more commonly known as employees. It includes an employee who retires on pension and stays in Kenya where pensions received from a registered pension fund exceed Kshs. 25,000 per month (Kshs. 300,000 per annum).

(C) PAYING POINT

A “paying point” is the place at which remuneration is paid.

If a non-resident employer calculates remuneration abroad and remits the remuneration direct to the employee then such remuneration should be notified to the Department through the employer’s local representative and P.A.Y.E. tax operated on the remuneration accordingly. Any cases of doubt should be referred to the Domestic Taxes Office for advice.

(D) MONTHLY PAY

“Monthly pay” includes income in respect of any employment or service rendered, accrued in or derived from Kenya.

This will include:

- i. Wages, salary, leave pay, sick pay, payment in lieu of leave, directors’ fees and other fees, overtime, commission, bonus, gratuity or pension whether payable monthly or at longer or shorter intervals.

- ii. Cash allowances, e.g. house or rent allowance, telephone allowance, round sum allowance etc.
- iii. The amount of any private expenditure of the employee paid by the employer otherwise than as a loan, e.g. house rent, grocery bills, electricity, water, telephone bills, school fees,
- iv. Non-cash benefits when the aggregate value exceeds Kshs.3000 per month.
- v. The value of housing, where provided by the employer.

Any amount which is mere reimbursement of expenses of employment, e.g. subsistence allowance when on duty away from home, mileage allowance for use of employee's car or for traveling expenses incurred in the course of employment will be excluded. Such amounts must, however, be shown on any return of wages called for by the Domestic Taxes Office.

Round sum expense allowances should be treated as pay, included on the Tax Deduction Card and taxed accordingly. Expenses incurred wholly and exclusively in the production of employment income out of such Round Sum Allowances should be claimed on completion of self-assessment return of income. The first Kshs. 2,000 per day paid to an employee when outside their usual place of work while on official duty (per diem) shall be treated as reimbursement of expenses and it shall not be taxable.

Any amount not paid in cash but credited to an employee's account with the employer is to be treated as paid and tax deducted accordingly.

(E) "PAID" INCLUDES DISTRIBUTED, CREDITED, DEALT WITH OR DEEMED TO HAVE BEEN PAID IN THE INTEREST OR ON BEHALF OF A PERSON

6. EMPLOYMENT BENEFITS

i. VALUE OF BENEFIT - SECTION 5

(2) (b)

Where an employee enjoys a benefit, advantage or facility of whatsoever nature in connection with employment or services rendered; the value of such benefit should be included in employee's earnings and charged to tax. The minimum taxable aggregate value of a benefit, advantage or facility is Kshs.3,000 per month or Kshs. 36,000 per annum. This is with effect from 1st January 2006.

- ii. Following amendments to Section 5 (5) of the Income Tax Act through the Finance Act 2003 and 2008 the chargeable value of a benefit, advantage or facility other than motor vehicle and housing benefits granted to employee by virtue of employment or services rendered should be taken as the higher of the cost to employer or fair market value of the benefit, provided that the Commissioner may

from time to time prescribe rates of benefits where the cost or fair market value cannot be determined.

- iii. In the case of an employee share ownership plan, the value of the benefit shall be the difference between the market value per share and the offer price per share at the date the option is granted by the employer. For clarification purposes, benefits arising from ESOPs not registered by the Commissioner are taxable.
- iv. Meals served to employees in a canteen or cafeteria operated or established by the employer or a third party who is a registered taxpayer (whether the meals are supplied in the employer's or third party's premises) are a tax exempt benefit where the value of the meal does not exceed Kshs. 4,000 p.m per employee.

Effective date: 13th June 2014.

In line with the provisions of the law, the Commissioner has prescribed rates on the following:-

PRESCRIBED RATES

		Prescribed Rates	
		Monthly Rates	Annual Rates
A	SERVICES	(Kshs)	(Kshs)
(i)	Electricity – (communal or from a generator).	1500	18000

		Prescribed Rates	
		Monthly Rates	Annual Rates
A	SERVICES	(Kshs)	(Kshs)
(ii)	Water – (communal or from a borehole).	500	6000
(iii)	Provision of furniture, 1% of cost to employer. If hired the cost of hire should be brought to charge.		
(iv)	Telephone (Landline and Mobile Phones)	30% of bills	

B	AGRICULTURAL EMPLOYEES:	REDUCED RATES OF BENEFITS	
(i)	Water	200	2400
(ii)	Electricity	900	10800

Note: The above rates in (A) and (B) are effective from 12th June 2003.

REFER TO APPENDIX 7 SHOWING DETAILS OF BENEFITS.

NOTE

School fees:

Education fees of employee's dependents or relatives will not be taxed on the employees provided the same has been taxed on the employers.

7. LOW INTEREST RATE EMPLOYMENT BENEFIT/FRINGE BENEFIT

When employer provides loan to an employee and charges interest which is below the prescribed rate of interest, then the difference between the prescribed rate and employer's loan rate is a benefit from employment chargeable to tax on the employee. The benefit is computed as the difference between the interest charged by employer and prescribed rate of interest. Low interest rate employment benefit provisions will also apply to a director and will continue to apply even after the employee or director has left employment as long as the loan remains un-paid.

However, following amendment to the law by the 1998 Finance Act and introduction of "FRINGE BENEFIT TAX" which is payable by employers, the determination of the chargeable benefit is now in two categories i.e. for loans provided on or before 11th June, 1998 and loans provided after 11th June, 1998.

(I) LOW INTEREST RATE BENEFIT

Employees will continue to be taxed on low interest rate benefit in respect of loans provided by the employer on or before 11th June, 1998 as before. The low interest benefit chargeable on the employees is calculated as the difference between interest charged to the employee and the prescribed rate of interest of 15% per cent, or such interest rate based on the Market Lending Rates prescribed by the Commissioner; whichever is lower.

Example

- Loan provided by employer - KShs.1,500,000
- Employer's Loan Interest Rate - NIL (interest free)
- Prescribed Rate of Interest - 2%

Calculation of Low Interest benefit:

- Low Interest Benefit is (2%-NIL = 2%): Kshs 1,500,000 x 2%
= Kshs.30,000 per annum
i.e. Kshs.2,500 per month

*The prescribed rate of interest for the year of income commencing on or after 1st January, 1995 is 15 per cent (15%) or such interest rates based on the market lending rates as the Commissioner may prescribe from time to time.

SEE APPENDIX 7B for the Rates on Low Interest Benefit.

For the years 2014 to 2017, the Commissioner published the following interest rates:-

Jan – June 2014.....	9%
July – Dec 2014.....	9%
Jan – June 2015	9%
July – Dec 2015	8%
Jan – June 2016.....	13%
July – Dec 2016.....	9%
Jan – Mar 2017.....	8%

(II) FRINGE BENEFIT TAX PAYABLE BY EMPLOYER (SECTION 12B) EFFECTIVE DATE 12TH JUNE, 1998

Tax known as Fringe Benefit tax was introduced by new provisions under Section 12B of the Income Tax Act. It is payable by the employers commencing on the 12th June, 1998 in respect of loan provided to an employee, director or their relatives at an interest rate lower than the market interest rate. The taxable value of Fringe Benefit is determined as follows:-

In case of loans provided after 11th June, 1998 or loan provided on or before 11th June, 1998 whose terms and conditions have changed after 11th June, 1998, the value of Fringe Benefit shall be the difference between the interest that would have been payable on the loan if calculated at the market interest rate and the actual interest paid.

Example

Employer's loan amount	-	Kshs.3,000,000
• Interest charged to employee	-	3%
• Market Interest rate for the month	-	9%

Calculation	of	Fringe	Benefit	Tax:-
Fringe Benefit is (9% - 3% = 6%)		Kshs.3,000,000	x	6%
		=	Kshs.180,000	p.a
			i.e. Kshs.15,000 per month.	

Fringe Benefit tax payable by employer is Kshs. 15,000 x 30% = Kshs.4,500/- (for the month).

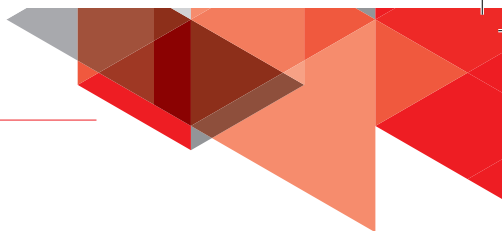
SEE APPENDIX 7C for the Rates on Fringe Benefit.

For the year 2014, 2015 and 2016 the Commissioner published the following prescribed rates of interest:-

Period	Rate
1st Quarter, Jan – March 2014	10%
Last 3 quarters, 2014: April – December	9%
1st Quarters – January to March 2015	9%
2nd Quarter – April to June 2015	9%
3rd Quarter – July –September 2015	8%
4th Quarter October – December 2015	12%
1st – January to March 2016	14%
2nd Quarter April – June 2016	10%
Last 2 Quarters July - December 2016	8%

NOTES:

- Fringe benefit is taxable at corporation rate of tax of 30% of the determined value of the benefit.
- Fringe benefit tax shall be charged on the total taxable value of Fringe benefit each month and the tax is payable before the **10th day** of the following month **in the same way as normal P.A.Y.E.** remittance. Employers will therefore pool together all the Fringe benefits for the employees in each month.
- The provision of loans shall include a loan from an unregistered pension or provident fund.
- Fringe benefit tax charged prior to 1st January, 1999 is due and payable before **10th** January, 1999.
- “Market Interest Rate” means the average 91 days Treasury Bill rate of interest for the previous quarter.
- The above provisions will continue to apply even after employee leaves employment as long as the loan remains un-paid.
- Fringe benefit tax is payable even where corporation tax is not due by the employer in question
- The provisions of the Act relating to fines, penalties, interest charged, objections and appeals shall apply to the fringe benefit tax.



8. HOUSING - SECTION 5(3)

- a. The housing benefit for a director and a whole time service director shall be the higher of 15% of total income (or employment income, in case of whole time service director), the fair market rental value and the actual rent paid by the employer.
- b. Agricultural Employee (Including a whole time service director) who is required by terms of employment to reside on a plantation or farm;-
- 10% of his gains or profits from employment minus any rent charged to the employee. This is subject to employer obtaining prior approval from Domestic Taxes Office. (see also reduced rates of benefits for agricultural employees - Appendix 5).
 - Agricultural employee shall not include a director other than a whole-time service director.
- c. Any other Employee
The taxable value shall be the higher of an amount equal to 15% of the gains or profits from employment or services rendered, excluding the value of those premises, or the rent paid by the employer if paid under an agreement made at arm's length with a third party:

Provided that;-

- i. If employer pays rent under an agreement not made at arm's length with a third party, the value of quarters shall be; the fair market rental value of the premises in that year or rent paid by the employer; whichever is higher, or
- ii. Where the premises are owned by employer; the fair market rental value of the premises in that year is to be taken.

NOTES

- In calculating the housing benefits employer is required to deduct rental charges recovered from the employee or director. The amount remaining is the chargeable value to be included in the total taxable pay.
- If the premises are occupied for part of the year only, the value is 15% of employment income relative to the period of occupation less any rental charges paid by employee/director. (Chargeable value shall be reduced by rent paid by an employee).
- Any employer who provides other than normal housing to an employee should consult his local Domestic Taxes office for advice regarding the value of such housing.



Example:

A Manager who earns basic salary of Kshs. 30,000 per month plus other benefits - (e.g. Motor Car, House Servants etc.) - Kshs. 15,000/= is housed and the employer pays to the Landlord rent of Kshs. 20,000 per month (i.e. Kshs. 240,000 per annum) under an agreement made at arm's length with the third party.

CALCULATION FOR VALUE OF QUARTERS

Basic Salary	-	Kshs. 30,000
Add: Benefits	-	Kshs. 15,000
Total	-	Kshs. 45,000
15% Value of quarters there of	-	$\frac{\text{Kshs. } 45,000 \times 15}{100} = \text{Kshs. } 6,750$

*Rent paid by the employer Kshs. 20,000/= per month is the amount to be brought to charge and not 15% value of quarters.

REFER TO P9A - APPENDIX 1A.

9. CAR BENEFIT - SEC 5(2B)

Where an employee is provided with a motor vehicle by employer, the chargeable benefit for private use shall be the higher of the rate determined by the Commissioner and the prescribed rate of benefit. Where such vehicle is hired or leased from third party, employees shall be deemed to have received a benefit in that year of income, equal to the cost of hiring or leasing.

The "prescribed rate of benefit" means the following rates for each month on the initial cost of the vehicle:-

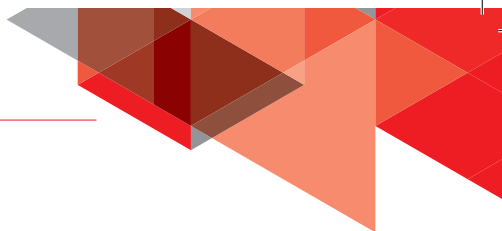
- 1996 - 1% per month of initial cost of the vehicle
- 1997 - 1.5% per month " " " "
- 1998 et seq - 2% per month. " " " "

Example

X employee who is employed as a Financial Controller is provided with a car - Mitsubishi Pajero (cc rating 2400) which was bought in July 2016 for Kshs. 2,500,000.

- Car benefit is calculated as follows:-
 - 2% x Kshs. 2,500,000 = Kshs. 50,000 per month
 - Commissioner's fixed monthly rate cc. rating 2,400 = Kshs. 8,600
 - The chargeable car benefit is therefore Kshs. 50,000 per month.

N.B: Where an employer has restricted use of the motor vehicle, the Commissioner if satisfied of that fact, shall determine a lower rate of the benefit depending on the usage of the motor vehicle.



10. TAX FREE REMUNERATION

There are certain instances when an employer wishes to pay his employees' salaries negotiated net of tax. In such circumstances the employer bears the burden of tax on behalf of such employees. The tax so paid by the employer for the employee becomes a benefit chargeable to tax (**P.9B Card as shown in Appendix 4A** is to be used for this purpose).

11. PASSAGES

When an employer himself pays for or reimburses the cost of tickets for passages, including leave passages for his employee and family, the value of the passages is a non-taxable benefit of the employee if the employee is recruited outside Kenya and is in Kenya solely for the purpose of serving his employer and he is not a citizen.

Where, however, such employee receives a cash sum either periodically or in one amount which he is free to save or spend as he chooses or for any other purposes and for the expenditure of which he does not have to account to the employer, the amount received is a taxable cash allowance. Passages paid for by the employer in circumstances other than that in italic above are a taxable benefit on the employee.

12. MEDICAL SERVICES AND MEDICAL INSURANCE

Where an employer provides its employees (including directors) and their beneficiaries (spouse & upto 4 children whose age **does not exceed 21 years**) with free medical services or free medical insurance, the value of such medical service or insurance is not a taxable benefit on the employee.

Please note that:

- a. In the case of medical services provided to a director other than a whole time service director shall be the limit which will be prescribed by the Cabinet Secretary from time to time. The current limit is Kshs.1,000,000 per year.
- b. The medical insurance must be provided by a provider who is approved by the Commissioner of Insurance.



13. DEFINED BENEFIT FUND OR DEFINED CONTRIBUTION FUND

An employee's contribution to any registered defined benefit fund or defined contribution fund is now an admissible deduction in arriving at the employee's taxable pay of the month. The employee's deductible contribution is the lesser of:

- a. 30% of pensionable pay.
- b. Employee's actual contribution.
- c. Ksh.20,000 per month

NOTE:

Maximum allowable Pension/Provident Fund contribution was increased from Kshs.17,500 per month to Kshs. 20,000 per month (i.e. Kshs. 240,000 per annum), effective 1st January 2006.

- National Social Security Fund

Contributions made to the National Social Security Fund (NSSF) qualify as a deduction with effect from 1st January, 1997.

Where an employee is a member of a pension scheme or provident fund and at the same time the National Social Security Fund (NSSF) the maximum allowable contributions should not exceed Kshs.20,000 per month in aggregate.

- Contributions to Individual Retirement Fund

The percentage rate has been increased from 20% to 30% of pensionable income of the individual to be in line with employer registered retirement schemes. The allowable deduction shall be the lesser of :-

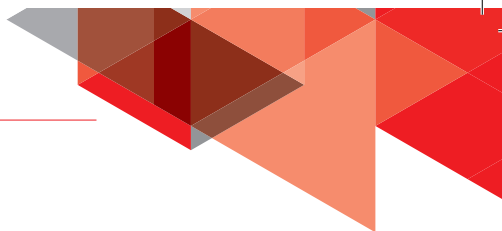
- The actual contribution made by the individual.
- 30% of pensionable income.
- Kshs. 20,000 per month (or Kshs. 240,000 per annum)

The amendment is effective from 1st January 2006.

14. EMPLOYERS CONTRIBUTIONS TO REGISTERED OR UNREGISTERED PENSION SCHEME OR PROVIDENT FUND

Contributions paid by a non-taxable employer to unregistered pension scheme or excess contributions paid to a registered pension scheme, provident fund or individual retirement fund; shall be employment benefit chargeable to tax on the employee.

The amendment is effective from 1st July 2004.



15. HOME-OWNERSHIP SAVINGS PLAN

A depositor (employee) shall in any year of income commencing on or after 1st January, 1999 be eligible to a deduction up to a maximum of Kshs. 4,000 /- (Four thousand shillings) per month or **Kshs. 48,000/-** per annum in respect of funds deposited in “approved institution” under “Registered Home Ownership Savings Plan”, in the qualifying year and the subsequent nine years of income. Further, with effect from 1st January 2007 interest earned on deposits not exceeding Kshs. 3 million which deposits are made in qualifying institutions shall be exempt from tax provided that:-

- Employer has evidence to confirm that the Home Ownership Savings Plan with which employee wants to save is registered by the Commissioner of Domestic Taxes.
- Employer will be the one to deduct and remit the amount to the Institution on behalf of the employee.
- Employers will attach to **Form P9A (HOSP)** a declaration duly signed by the eligible employee. The declaration so signed will serve as verification and confirmation by the employer that the employee does not directly or indirectly own interest in a permanent house. Form P9A (HOSP) as shown in Appendix 3A is to be used for this purpose.

NOTE:

“Approved Institution” - Means a Bank or financial institution registered under the Banking Act, an Insurance Company licensed under the Insurance Act or a Building Society registered under the Building Societies Act”.

16. OWNER OCCUPIED INTEREST – SEC 15(3)(B)

- In ascertaining the total income of a person for a year of income interest paid on amount borrowed from specified financial institution shall be deductible. The amount must have been borrowed to finance either:-
 - i. The purchase of premises; or
 - ii. Improvement of premises - which he occupies for residential purposes.
- The amount of interest allowable under the law must not exceed Kshs.300,000 per year (equivalent to Kshs.25,000 per month) with effect from 1st January, 2017.
- If any person occupies any premises for residential purposes for part of a year of income the allowable deduction shall be limited to the period of occupation.
- On the other hand no person may claim a deduction in respect of more than one residence. Following amendment to Section 45 of the Income Tax Act through the 1999 Finance Act, a married woman can now file her own separate return of income and declare income from employment, professional or self-employment income.



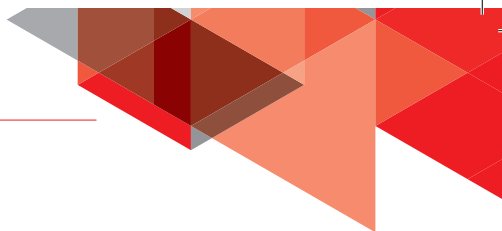
- In view of this, she has the option to claim for deduction of interest paid provided that the property is registered in her name.
- Employer must obtain a signed declaration to the effect that she is the one claiming the deduction to avoid her husband making a similar claim.
- The first four financial institutions specified under the fourth schedule of the Income Tax Act include:-
 - i. A bank or a financial institution licensed under the Banking Act.
 - ii. An insurance company licensed under the Insurance Act.
 - iii. A building society registered under the Building Societies Act.
 - iv. The National Housing Corporation established under the Housing Act

Employers will be required to ascertain and allow interest paid on money borrowed to finance owner occupied residential premises under the PAYE system subject to the following conditions:-

- The employer should allow actual interest paid by eligible employee on production of certificate from the lending institution confirming interest payable on the loan for that particular year. The amount of interest to be allowed as ascertained under his condition must not exceed Kshs. 25,000 per month. For the month of December, all the monthly interest allowed should be added together and only the difference between this amount and the annual allowable deduction of Kshs.300,000 should be allowed in the month of December.
- Where the employee redeems such loan in the course of the year and no interest is subsequently payable such allowable deduction shall cease forthwith upon redemption of the loan.
- The employee shall sign a declaration indemnifying employer against any false claim in this respect
- Employers are expected to review their pay-rolls starting from the month of September and make necessary adjustment to ensure that by the end of year correct amount of interest has been allowed
- The employer shall attach to Form P9A Photostat copy of interest certificate and statement of account from the specified lending institution.

NOTE:

- Interest which has accrued but has not been paid does not rank as an allowable deduction for this purpose.
- **Form P9A has** been designed to accommodate the changes - **See appendix 2A.** The example given under Appendix 2A assumes that an employee paid interest amounting to Kshs. 300,000 or more during the year.



16A. PERSONS WITH DISABILITIES

Persons with disabilities have been exempted from tax on their taxable income of up to Kshs. 1.8 million p.a (Kshs. 150,000p.m). The employee should provide a valid exemption certificate.

16B. EXEMPTION OF BONUSES, OVERTIME ALLOWANCE & RETIREMENT BENEFITS

Bonuses, overtime allowance and retirement benefits paid are tax exempt where they are paid to an employee whose salary before the bonus and overtime allowance does not exceed Kshs. 11,180 p.m. This is effective from 1st July, 2016.

17. PERSONAL RELIEFS

a. Monthly Personal Relief - Kshs. 1,280 (with effect from 1st January 2017)

A resident individual with taxable income is entitled to a personal relief of Kshs. 1,280 per month (i.e. Kshs.15,360 per annum). This is a uniform relief and employers are advised to automatically grant personal relief to all employees irrespective of their marital status.

Individuals serving several employers qualify for personal relief from only one employer (i.e., main employment).

b. Insurance Relief with effect from 1st January 2007

A resident individual shall be entitled to insurance relief at the rate of 15% of premiums paid subject to maximum relief amount of Kshs. 5,000 per month (or Kshs. 60,000 per annum) if he proves that:-

- he has paid premium for an insurance made by him on his life, or the life of his wife or of his child and that the Insurance secures a capital sum, payable in Kenya and in the lawful currency of Kenya; or
- his employer paid premium for that insurance on the life and for the benefit of the employee which has been charged to tax on that employee; or
- both employee and employer have paid premiums for the insurance:

Provided that:-

- No relief shall be granted in respect of part of premium for an insurance which secures a benefit which may be withdrawn at any time at the option of the insured.
- Premiums paid for an education policy with a maturity period of at least 10 years shall qualify for relief.
- Only premiums paid in respect of an insurance policy taken on or after 1st January, 2003 shall qualify for relief.



NOTE:

Employees must avail to the employer a certificate from insurer showing particulars of the policy e.g. name of insured, type of policy, capital sum payable, maturity date, premiums payable and commencement date of the policy.

Employers should review their pay-rolls towards the end of the year and make necessary adjustments to ensure that the correct relief had been granted. No relief is available in respect of insurance policy that elapsed in the course of the year.

- i. Employer shall attach a copy of the certificate furnished by insurer, confirming premiums paid and that the policy was still in force to the employee's **P9A, P9B, P9A (HOSP)** Tax deduction Card for that year.
- ii. For the purposes of insurance relief "child" include a step child and an adopted child who was under the age of eighteen years on the date the premium was paid.

Example:

An employee X has furnished a Life Assurance Policy Certificate showing annual premiums payable of Kshs. 48,000. The commencement date of the policy is 1st January, 2016.

The insurance relief allowable in the payroll from the month of January will be calculated Kshs. $48,000 \times 15\% = 7,200$ per annum i.e. 600 per month which will be entered in the appropriate column of Tax Deduction Card (P9A).

18. MONTHLY TAX TO BE DEDUCTED

To arrive at monthly tax to be deducted:-

- i. charge tax on chargeable monthly pay per monthly tax tables
- ii. deduct from tax charged monthly personal reliefs.

Example:

"B" whose monthly chargeable pay for January, 2017 is Kshs. 50,000 will have his PAYE tax calculated as follows:-

NB: To do calculations using new bands and relief

Tax charged on chargeable pay Kshs. 50,000	Kshs.
First Kshs. 11,180 at 10%	1,118
Next Kshs. 10,534 at 15%	1,580
Next Kshs. 10,534 at 20%	2,106
Next Kshs. 10,534 at 25%	2,633
Balance Kshs. 7,218 at 30%	2,165
TOTAL KSHS. 40,000	9,602
Less Monthly Personal Relief	1,280
PAYE to be deducted	8,322

19. MONTHLY PAY SLIP

Every employer is required to provide each liable employee on payment of remuneration with a written statement showing:

- i. Monthly pay.
- ii. PAYE Tax deducted.

This formal notification is known as the “Monthly Pay Slip” and may be in any form convenient to the employer provided that the above information is given.

20. TAX DEDUCTION CARDS (P.9)

A **P.9 Form** must be prepared for every employee liable to tax (**see Part III, paragraph 1**). It provides for the recording, of gross pay, housing, benefits, chargeable monthly income, monthly personal relief, and PAYE tax deducted each month throughout the calendar year and payments for past years on the reverse side.

Specimen cards can be found on Appendix **No.1A, 3A** and **4A**. Details of the operation of the card are found on **1C, 2C, 3C** and **4C**.

21. PROCEDURE FOR COMPUTATION OF TAX ON LUMP SUM PAYMENTS (GRATUITIES, BONUSES, ETC.)

A. NOTIFICATION

Every Employer has an obligation under section 37 of the Income Tax Act to recover appropriate tax from any lump sum amount before releasing the difference/balance to the employee. The following is a Guide to Employers on how to compute tax on lump sum payments:-

1. Employment Income Treatment - General

Employment income is assessable on accrual basis; that is, over the period it has been earned and become due for payment. The time the Income is received is, therefore, immaterial.

Income from employment or services rendered is chargeable to tax under section 3(2) (a)(ii) of the Income Tax Act. This is expounded by section 5(2) which spells out that gains or profits from employment includes: wages, salary, payment in lieu of leave, fees, commission, bonus, gratuity, subsistence, travelling, entertainment or any other allowance received in respect of employment or services rendered.

Where an amount is received in respect of employment or a service rendered in a year of income different from the year of accrual, such income is deemed to be income of the year of accrual. However, there is a provision which states that where the year of accrual is earlier than 4 years prior to the year of receipt, the income is to be treated as that of year of income which expired 5 years prior to the year in which the income is received or prior to the year of income in which employment ceased.

Example (Terminal Dues):

Mr. Peter Bakari left employment in September 2016 after 30 years of service and was paid severance pay/service gratuity of Kshs. 660,000; three months' notice pay Kshs. 90,000 and Kshs. 25,000 for his 20 leave days not taken for the year 2015. For the purposes of calculation of tax payable, the service gratuity amount is to be spread backwards and taxed together with income earned in the relevant years but notice pay is assessable in the period immediately after date of leaving employment and pay in lieu of leave should be taxed in the year to which the leave days relate (i.e. 2014, 2015 e.t.c).

The procedure on how tax should be calculated is outlined below:-

Breakdown of Lump sum payment		
Year		Taxable Amount
		Kshs.
2016	Notice Pay	90,000
2015	Service gratuity	22,000
	Leave pay	25,000
		Total Kshs. 47,000
2014	Service gratuity	22,000
2013	Service gratuity	22,000
2012	Service gratuity	22,000
2011	Service gratuity	22,000
		plus Kshs. 550,000 for 2010 & prior years

***Calculation of Tax on Lump Sum**

- i. Take total taxable pay for the year as per the Tax Deduction Card (P9A).
- ii. Add Lump Sum amount for that year
- iii. Calculate tax chargeable on the revised total taxable income - (i) + (ii).

Use annual individual rates of tax.

- iv. Deduct personal relief for the year
- v. Deduct total PAYE deducted and already paid - (per P9A)
- vi. The balance is tax payable on the Lump Sum.

This method of calculating the tax should be followed for all the years involved so as to arrive at the total tax due and payable on the terminal dues.

IMPORTANT

- Pay in lieu of notice (i.e. notice pay) is assessable in the period immediately after the date of termination of employment.
- Leave pay should be assessed in year to which it relates.
- If termination of employment occurs in the course of the year, the portion of lump sum payment for that period is taxable in that particular year.

- Calculate the tax for each year using annual rates of tax and then add up tax for all the years involved to arrive at total tax to be deducted from the lump sum payment. It should be noted that any lump sum payment relating to the year of income 2010 and prior years is assessable in 2011 being the 5th year prior to the year of receipt (2016) as per example in Table (i) above.

2. Compensation for Termination of Employment

Liability extends to any payment, whether voluntary or obligatory made to a person to compensate him for the termination of his contract of employment or services, whether the contract is written or verbal and whether or not there is provision in the contract for such payment.

Following the amendment to proviso (i) and (iii) to section 5 (2) (c) the determination and method of assessing compensation received on termination of contract shall be as follows:-

Methods of Spreading Compensation

- Where the contract is for a specified term, amount received as compensation on termination of contract shall be deemed to have accrued evenly and assessed over the unexpired period.

Example:

A contract for five years is terminated on 31/12/2016 after it has run for 3 years. Compensation of Kshs.1,100,000 is paid. The amount will be spread evenly and assessed in the remaining period of 2 years as follows:-

Year		Taxable Amount (Kshs.)
2017	-	550,000
2018	-	550,000

- Where the contract is for an unspecified term and provides for terminal payment, the amount paid as compensation is to be spread forward and assessed at the rate equal to employee's remuneration per annum received from the contract immediately before termination.

Example:

A contract for an unspecified term provides for payment of Kshs. 700,000 as compensation in the event of termination. It is terminated on 31/12/2016 and the employee's rate of

earning was Kshs. 300,000 per annum. The compensation is spread forward and Kshs. 300,000 is assessed in the year 2017, shs.300,000 in year 2018 and balance shs.100,000 in year 2019.

iii. Where the contract is for unspecified term and does not provide for compensation, amount received as compensation shall be deemed to have accrued evenly over three years period immediately following termination of contract. The effect of the amendment is that any amount paid as compensation on termination of contract shall be taxed in full.

Example:

A contract is for an unspecified term with no provision for payment of compensation. The contract is terminated on 31/12/2016 and Kshs. 1,500,000 compensation is paid, the amount is to be spread forward and assessed evenly in three years as follows:-

Year		Taxable Amount (Kshs.)
2017	-	500,000
2018	-	500,000
2019	-	500,000

- The amendment is effective from 1st July 2004

NOTES:

- The methods outlined above apply to all employees including whole time service directors.
- If an Ex-gratia is paid it would be assessable in the year of receipt.
- Use the current rates of tax (i.e. 2017) until subsequent years rates are enacted.
- Personal Relief should not be granted in advance before commencement of any year of income.

B:- Employers are required to submit a list of names of all the employees who have received lump sum payments within 14 days after making payment indicating:-

- Names of employees and their PIN numbers.
- Gross amount paid to each employee.
- Nature of payment and the period to which it relates.
- Amount of tax deducted and paid (attach a "Lump Sum" Photostat copy of the relevant **P11** - see - C below).

- v. Employee's last date of service.
- vi. Employee's gross earnings per annum and P.A.Y.E. deducted for the period to which the lump sum payment relates (subject to a limit of 5 years in the case of gratuity).
- vii. In respect of compensation for loss of office, Employer should state the employee's rate of earning per month/per annum for the period immediately prior to termination of employment.

N.B:

Other advances of cash, e.g. salary advances to an employee, will not normally be subject to deduction of tax when made. In the month when such advances are recovered, the tax deductions will be calculated on the full pay of the month before deduction of the amount to be recovered.

C:- Payment of Tax deducted from lump sum payments

Tax deducted from the lump sum payment must be paid to the Commissioner of Domestic Taxes using Payment Registration Number (PRN) generated through iTax as the normal PAYE remittances.

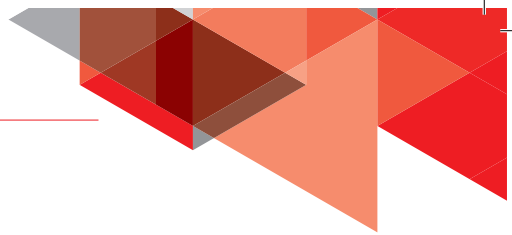
22. HOW P.A.Y.E. IS WORKED

The broad outline of the scheme is illustrated by the following two examples:

- i. "B" is employed as an Accountant at a salary of Kshs. 20,000 per month. His personal relief is Kshs.1,280 per month.

The employer enters on a Tax Deduction Card chargeable monthly pay Kshs.20,000.

	Kshs.
Tax charged on chargeable pay Kshs. 20,000	
First Kshs. 11,180 at 10%	1,118
Balance Kshs. 8,820 at 15%	1,323
Total Kshs. 20,000	2,441
Less monthly personal relief	1,280
PAYE to be deducted	1,161



- ii. "X" is employed as a general manager at a Basic salary of Kshs 40,000 per month. In addition his employer provides him with the following benefits:
- a. Night watchman
 - b. House Servant
 - c. Nissan Saloon car 1591 cc
 - d. Free electricity
 - e. Free water

The employer has also provided housing - (leased premises - monthly rent Kshs. 20,000). The entries on a Tax Deduction Card, Form P.9A will be as follows;

	Kshs
Monthly cash pay	40,000
Add benefits	15,600
	55,600
Housing at 15% x 55,600 = 8,340 (charge actual rent paid Kshs.20,000)	20,000
Taxable pay of the Month	75,600

	Kshs
Tax charged on chargeable pay Kshs. 75,600	
First Kshs. 11,180 at 10%	1,118
Next Kshs. 10,534 at 15%	1,580
Next Kshs. 10,534 at 20%	2,106
Next Kshs. 10,534 at 25%	2,633
Balance Kshs. 32,818 at 30%	9,845
Total Kshs. 75,600	17,282
Less monthly personal relief	1,280
PAYE to be deducted	16,002

Show Computation of Benefits on the reverse side of P.9A. as follows:-

	Kshs
Watchman (Night)	2,000
Car (cost Kshs. 500,000 x 2% per month)	10,000



	Kshs
Electricity	1,500
Water	600
House Servant	1,500
Total Benefits per month	15,600

The tax deducted is paid over by the employer **before the 10th day of the month** following the payroll month using PRN (see Part iv). "B" and "X" are given Monthly Pay Slips showing their monthly income and amount of tax deducted.

23. WHO IS LIABLE FOR P.A.Y.E.

Any individual whose gross pay plus benefits including housing provided by employer exceeds Kshs.12,260/- per month is liable to PAYE. However, if employer is aware that the employee has income from main employment elsewhere, then PAYE should be deducted even though the earnings are less than Shs.12,260/- per month.

PART II

TAX DEDUCTION CARDS

1. P9A, P9A (HOSP), P9B

There are three types of Tax Deduction Cards:-

i. Form P9A

All employees whose earnings in cash exceed Kshs.12,260/= per month, and employees in receipt of non-cash benefits, valued at Kshs. 3,000 or more per month which together with cash pay, the monthly emoluments exceed Kshs. 12,260/=.

ii. FORM P9A (HOSP)

This card is used where employee is eligible for a deduction in respect of funds deposited in approved Institution, under "Registered Home Ownership Savings Plan", in addition to the conditions for P9A (No. (i) above).

iii. FORM P9B

This card is used in circumstances where the employer bears the burden of tax on behalf of the employee, in addition to the conditions for P9A (No. (i) above).

Completed examples of the P9 cards, with notes are illustrated at Appendix 1A, 1B, 1C, 2A, 2B and 3A, 3B for P9A(HOSP) and Appendix 4,4A to 4D for P9B)

2. LIABLE EMPLOYEE LEAVING

When an employee is leaving employment, his employer must complete the employee's Tax Deduction Card, up to the date of leaving and including the final payment of remuneration.

The employer should pay particular attention to item No.2 of the questionnaire on the Reverse side of the Tax Deduction Card.

The Tax Deduction Card should be retained by the employer until the end of the year. Any late payment of emoluments, e.g. arrears of pay, bonus, commission made in a month after the employee has left employer should be taxed without any monthly personal relief.

3.EMPLOYERS CERTIFICATE OF PAY AND TAX (P9A, P9A(HOSP)& P9B)

At the end of the year employer should give to the employee a certified copy of the Tax Deduction Card - P9A, P9A (HOSP), P9B which will serve as a "Certificate of Pay and Tax deducted". When a liable employee leaves employment the employer should prepare and hand over to the employee a certificate of pay and tax showing details of pay and tax deducted up to the date of cessation.

NOTE

Date of cessation is the last day up to which the employee has been paid.

4. NEW EMPLOYEE

For a new employee whose emoluments exceed the amounts stated in Paragraph 3 of Part II, the employer should grant personal relief effective from the month of commencement of employment.

5. TAX TABLES

Monthly Tax Tables (Revised 2017) contained in this Edition will be used for all months during the year and will continue being used in subsequent years unless they are revised by the Cabinet Secretary.

6. NECESSARY ADJUSTMENTS DURING THE YEAR

The Domestic Taxes Department has continued to receive numerous refunds claims from employees against employment income. Many of these claims should not arise if the employers grant reliefs as per this Guide.

The guide is clear on the requirements and procedures for granting reliefs and deductions. It is equally important to ensure that monthly PAYE tax computations are accurately done. Where errors are later detected necessary adjustments should be made within the same year and the Commissioner informed accordingly.

While employers have a duty to grant the employees the correct tax reliefs and deductions and calculate the tax accurately, the employees too have an obligation to avail the necessary documents in support of the claims to their employers.

The tax reliefs and deductions that the employer should incorporate in the PAYE calculations are as follows:

- Personal relief - Para 17(a) of Part I
- Insurance Relief - Para 17(b)
- Owner Occupied Property Interest deduction - (Para 16)
- Defined Benefit/Contribution Benefit deduction - (Para 13) OF Part I

In case of difficulty, please contact the nearest Domestic Taxes Department office.

PART III

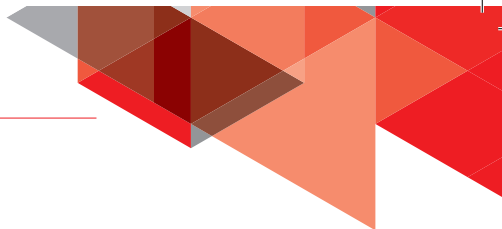
REMITTANCE OF TAX

1. HOW TO PAY-IN THE TAX DEDUCTED

The Law requires an employer to pay-in the P.A.Y.E. tax deducted from his employees' pay before the 10th day of the month following pay-roll month. Failure and/or late P.A.Y.E payments will incur penalty at the rate of 25 per cent of amount paid late as per Section 37(2) of the Income Tax Act and interest at 1% per month per as per Section 38(1) of the Tax Procedures Act, 2015. (see item number 4 below)

2. SPECIAL ARRANGEMENTS FOR REMOTE AREAS

If an employer finds that he is unable to make his monthly payments by the due date - i.e. before the tenth day of the month following the month of deduction - for reasons of remoteness, he should make full representations setting out all the relevant facts to the appropriate Domestic Taxes Office.



3. PAYMENT OF TAX DEDUCTED FROM LUMP SUM, P.A.Y.E. AUDIT TAX, INTEREST AND PENALTY

Employers are required to make payments of tax recovered from Lump Sum amounts, tax established through P.A.Y.E. adjustments, penalty or interest imposed for P.A.Y.E. offences to the Commissioner of Domestic Taxes using Payment Registration Number (PRN).

4. EXTENT OF PENALTIES AND INTEREST

A) PAYE OFFENCES - SECTION 37 (2)

The Commissioner may impose a penalty under Section 37 (2) of the Income Tax Act if an employer fails:-

- i. to deduct tax upon payment of emoluments to an employee
- ii. to account for tax deducted
- iii. to supply the Commissioner with a certificate prescribe under PAYE Rules.

The penalty is at the rate of 25% of the amount of tax involved or Kshs. 10,000, whichever is greater.

B) INTEREST ON UNPAID TAX - SECTION 38 (1) OF THE TAX PROCEDURES ACT, 2015

A late payment interest of 1% per month or part thereof shall be charged on amount of PAYE tax remaining unpaid for more than one month after the due date until the full amount is paid.

5. OBJECTION BY EMPLOYERS AGAINST COMMISSIONER'S DECISION

An employer may lodge an objection against imposition of a penalty and any other decision taken by the Commissioner within 30 days of being notified of the penalty or the decision.

If the employer is aggrieved by the Commissioner's decision on the objection, he may appeal to the Tax Appeals Tribunal within 30 days of being notified of that decision.



PART IV

END OF THE MONTH PROCEDURE

1. LIST OF EMPLOYEES

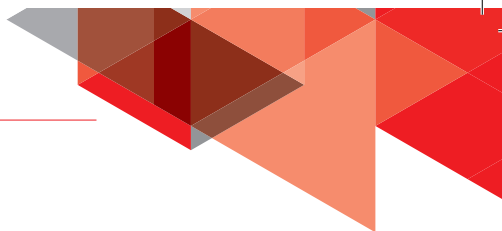
The employer should at each month-end list the names of employees from whose pay he has deducted tax together with the respective amount of tax. The total of this list should agree with amount remitted by the employer as recorded in his payment slip.

2. ARITHMETICAL OR OTHER ERRORS ON TAX DEDUCTION CARD

Any error made in the original return can be corrected through amending the original return, which can only be done once within a period of 12 months from the date it was first submitted. Subsequent amendments can only be done at your KRA station.

3. OBJECTION BY EMPLOYEES

If an employee is not satisfied that the amount of tax deducted by his employer is correct, he should be advised to seek advice from the Domestic Taxes Department. The employer will continue to deduct tax on the basis of his calculations until the Commissioner rules on the objection.



PART V

END OF YEAR PROCEDURE

CERTIFICATE OF PAY AND TAX (P9A, P9A (HOSP) & P9B)

Immediately after 31st December each year the employer should prepare a Tax Deduction Card (P9A/P9A (HOSP)/P9B) for each employee from whose salary P.A.Y.E. tax was deducted at any time during the year. Certified copies of Forms P9 should be distributed to the employees representing certificate of pay and tax for the year.

PART VI

SPECIAL CASES

1. ARRIVAL, DEPARTURE OR DEATH DURING THE YEAR

- a. Where a person becomes resident in Kenya during the year he is granted a proportion of the year's personal reliefs to which he is entitled commencing from the first day of the month in which he becomes resident.

Thus, if an employee arrives in Kenya on 15th August, and enters employment, he will be entitled to a whole month's relief against any emoluments paid in August.

- b. A resident individual who dies, leaves Kenya permanently or proceeds on leave pending permanent departure from Kenya will, during the year of income in which death occurs or departs, be deemed to have been resident in Kenya only for the number of months up to and including the month of death, departure or expiration of leave.

2. CHANGE OF PERSONAL CIRCUMSTANCES DURING THE YEAR

The amount of personal relief to which an individual is entitled for any one year will remain the same throughout the year regardless of the employee's change of marital status since the personal relief is uniform to all individuals with taxable income.

3. MULTIPLE P.A.Y.E. SOURCES OF INCOME

There are employees who have two or more sources of income which fall within P.A.Y.E. provisions, e.g. a person with several directorships or a person with several part-



time employments not falling within the definition “casual employment” (see Part 1, paragraph 1, etc).

Such employees should be granted monthly personal relief by the employer at their main source of employment income.

4. IRREGULARLY PAID EMPLOYEES

P.A.Y.E. tax basically is deductible from all payments made in any month. Thus if employees are paid weekly, fortnightly or at any other interval, the entry of pay on the Tax Deduction Card for the month will be the total of payments in the month and will be made on the occasion of the last payment. Tax due on the whole of the monthly pay will be deducted from the last payment. Where exceptionally the last payment of salary, etc., to an employee in the month is less than the whole of the tax for the month, the employer will recover the balance of tax from the next payment of salary, etc. to the employee. The employer should write a covering note on the back of the Tax Deduction Card showing how the tax deducted at the later date has been computed and accounted for.

Example:

Employee is a commercial traveller paid on a salary plus commission basis. He is a resident individual entitled to monthly relief of KSh.1,280/-. No housing is provided.

		Kshs.
10.1.2017	January 2017 commission (no tax deducted)	10,000
15.2.2017	Fortnightly salary (no tax deducted)	8,000
28.2.2017	Fortnightly salary (tax to be deducted)	10,000
Total		28,000

Tax Deduction Card Entries:

Enter column (A) for January (monthly pay) Kshs. 28,000	Kshs
Enter column (J) tax charged	3,955
Enter column (K) for January (monthly personal relief)	1,280
Enter column (L) for January (P.A.Y.E.)	2,675

Employer will recover Kshs. 2,675 from salary payable on 31st January and account for this tax in his January payment.

5. PENSIONERS

Where an employee retires on pension from his employer and continue to reside in Kenya, he should be treated as leaving employment, and taxation of his pension is done under withholding tax regime.

6. APPLICABLE TO CIVIL SERVANTS/MEMBERS OF PARLIAMENT

The Kenya Revenue Authority Act was amended to include responsibilities to Assess, Collect and Account for revenue under the Widows and Children Pension Act Cap 195 and the Parliamentary Pensions Act Cap 196.

The Government Ministries and National Assembly have so far been preparing cheques and list of contributions for both payment and transmission of information to the Pensions Department of the Treasury. With effect from January, 1999 payroll month the procedure of payments and returns to account for the money contributed changed.

As a first step in the direction the Kenya Revenue Authority decided to monitor the remittances and operations of the two pension funds under P.A.Y.E. system of collection of tax. Effective from 1st January, 1999 the remittances and accounting for the two funds adopted the following procedure:-

a. Remittances of contribution under Cap 195 and Cap 196 of the Laws of Kenya

The Government Ministries and National Assembly will continue to deduct contributions towards the funds as in the past. However, the Kenya Revenue Authority requires that such contributions be remitted through revised Form P.11 alongside P.A.Y.E. tax deducted.

Form P.11 has been revised to accommodate the change and separate column for remittances have been provided for the purpose.

NOTE:

Quite apart from contributions towards the funds the new P.11 specifically provides for separate remittances of both penalties and interest imposed under the Income Tax Act. This column will affect all employers.

The cheques for the contributions should be drawn in favour of the Commissioner of Domestic Taxes (PAYE).

Where an employee retires on pension from his employer and continue to reside in Kenya, he should not be treated as leaving the employment. P.A.Y.E. should continue to be operated in the normal manner substituting "pension" for "pay" on the Tax Deduction Card.

However, the first KSh.25,000 per month of pension is free of tax and should not be included on the Tax Deduction Card. The tax free monthly pension has been increased from Kshs. 15,000 per month to Kshs. 25,000 per month with effect from 1st January, 2010.

PART VII

MISCELLANEOUS

1. COMPLETION OF FORMS

All the relevant forms will be completed and filed on iTax.

2. DEATH OF AN EMPLOYER

If an employer dies, anything which he would have been liable to do under these Rules shall be done by his personal representatives, or, in the case of an employer who paid emoluments on behalf of another person, by the person succeeding him, or if no person succeeds him, the person on whose behalf he paid those emoluments.

3. CHANGE IN EMPLOYER

Where there has been a change in the employer from whom an employee receives emoluments in respect of the same employment, the employer after the change shall, in relation to a matter arising after the change, be liable to do anything which the employer before the change would have been liable to do under these Rules if the change had not taken place, but the employer after the change shall not be liable for payment of tax which was deductible from emoluments paid to the employee before the change took place.

4. CESSATION OF BUSINESS

Where a business ceases during the year, the employer must carry out the end of month procedure and submit all documents online within thirty (30) days from the date of cessation.



APPENDICES

APPENDIX 1A**TAX DEDUCTION CARD YEAR 2016**

Employers Name:

Employer's PIN

Employers Main Name:

Employee's PIN

Employers Other Names:

MONTH	Basic Salary Kshs.	Benefits- NonCash Kshs.	Value of Quarters Kshs.	Total Gross Pay Kshs.	Defined Contribution Retirement Scheme Kshs.			Owner- Occupied Interest Kshs.	Retire- ment Con- tribution & Owner Occupied Interest Kshs.	Chargea- ble Pay Kshs.	Tax Charged Kshs.	Personal Relief Kshs.	Insurance Relief Kshs.	PAYE Tax (I- K) Kshs.
					E1 30% of A	E2 Actual	E3 Fixed							
A	B	C	D	E	F	G	H	I	K	L				
January	30000	15000	20000	65000	9000	3000	20000	3000	62000	13693	1762	11931		
February	30000	15000	20000	65000	9000	3000	20000	3000	62000	13693	1762	11931		
March	30000	15000	20000	65000	9000	3000	20000	3000	62000	13693	1762	11931		
April	30000	15000	20000	65000	9000	3000	20000	3000	62000	13693	1762	11931		
May	30000	15000	20000	65000	9000	3000	20000	3000	62000	13693	1762	11931		
June	30000	15000	20000	65000	9000	3000	20000	3000	62000	13693	1762	11931		
July	30000	15000	20000	65000	9000	3000	20000	3000	62000	13693	1762	11931		
August	30000	15000	20000	65000	9000	3000	20000	3000	62000	13693	1762	11931		
									Total	Kshs. 1762				

MONTH	Basic Salary Kshs.	Benefits-NonCash Kshs.	Value of Quarters Kshs.	Total Gross Pay Kshs.	Defined Contribution Retirement Scheme Kshs.	E1 30% of A	E2 Actual	E3 Fixed	Owner-Occupied Interest Kshs.	Retire-ment Con-tribution & Owner Occupied Interest Kshs.	Chargea-ble Pay Kshs.	Tax Charged Kshs.	Personal Relief Kshs.	Insurance Relief Kshs.	PAYE Tax (L- K) Kshs.
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Septem-ber	30000	15000	20000	65000	9000	3000	20000	3000	62000	3000	62000	13693	1162	600	11931
October	30000	15000	20000	65000	9000	3000	20000	3000	62000	3000	62000	13693	1162	600	11931
Novem-ber	30000	15000	20000	65000	9000	3000	20000	3000	62000	3000	62000	13693	1162	600	11931
Decem-ber	30000	15000	20000	65000	9000	3000	20000	3000	62000	3000	62000	13693	1162	600	11931
TOTALS	360000	180000	240000	780000	108000	36000	240000	36000	744000	36000	744000	164316	21144	21144	143172

To be completed by Employer at end of year

TOTAL CHARGEABLE PAY (COL. H) Kshs.

TOTAL TAX (COL. L) Kshs. **143,172**

(b) Attach:

(i) Photostat copy of interest certificate and statement of account from the Financial Institution.

(ii) The DECLARATION duly signed by the employee.

NAMES OF FINANCIAL INSTITUTION ADVANCING MORTGAGE LOAN

(a) For all liable employees and where director/employee received Benefits in addition to cash emoluments.

(b) Where an employee is eligible to deduction on owner occupier interest.

L R NO. OF OWNER OCCUPIED PROPERTY: _____

DATE OF OCCUPATION OF HOUSE: _____

(a) Deductible interest in respect of any month must not exceed Kshs. 12,500/= (See back of this card for further information required by the Department). P9A

APPENDIX 1B

INFORMATION REQUIRED FROM EMPLOYER AT END OF YEAR

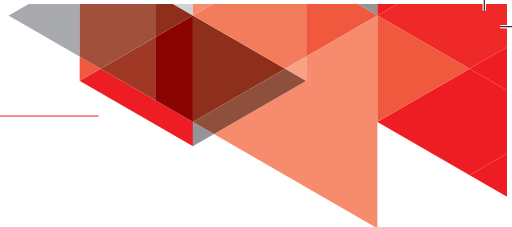
- i. Date employee commenced if during year _____
Name and address of old employer _____
- ii. Date left if during Year _____
Name and address of new employer _____
- iii. Where housing is provided, state monthly rent Charged _____
- iv. Where any of the pay relates to a period other than this year, e.g. gratuity, Give details of Amounts, Year and Tax.

Year	Amount	Tax
	Kshs.	Kshs.
20		
20		
20		
20		

FOR MONTHLY RATES OF BENEFITS PLEASE REFER TO EMPLOYER'S GUIDE TO P.A.Y.E - P7.

CALCULATION OF TAX ON BENEFITS

BENEFIT	NO.	RATE	NO. OF MONTHS	TOTAL AMOUNT
				Kshs.
COOK/HOUSE.				
SERVANT		x 2250	x 12	= 27,000
GARDENER		x	x	=
AYAH		x	x	=
WATCHMAN (D)		x	x	=
WATCHMAN (N)		x	x	=
FURNITURE		x	x	=
WATER		x 500	x 12	= 6,000
TELEPHONE			x	=
ELECTRICITY		x 1500	x 12	= 18,000
SECURITY SYSTEM.			x	=



Where actual cost is higher than given monthly rates of benefits then the actual cost is brought to charge in full. LOW INTEREST RATE BELOW PRESCRIBED RATE OF INTEREST.

EMPLOYERS LOAN = Kshs _____ @ _____ RATE
 RATE DIFFERENCE (PRESCRIBED RATE - EMPLOYERS RATE) = _____ %
 MONTHLY BENEFIT (RATE DIFFERENCE x LOAN) = % x Kshs. = =
 12 12

MOTOR CARS

Up to 1500 c.c. x	=		
1501 c.c. - 1750 c.c.	10750 x 12	=	129,000
1751 c.c. - 2000 c.c.		=	
2001 c.c. - 3000 c.c.		=	
Over 3000 c.c.		=	
Total Benefit in Year		=	180,000

If this amount does not agree with total of Col. B overleaf, attach explanation.

FOR PICK-UPS, PANEL VANS AND LAND-ROVERS REFER TO APPENDIX 5 OF EMPLOYER'S GUIDE.

CAR BENEFIT - The higher of amount of the fixed monthly rate or the prescribed rate of benefits is to be brought to charge:-

- PRESCRIBED RATE:- 1996 - 1% per month of the initial cost of the vehicle.
- 1997 - 1.5 % per month of the initial cost of the vehicle.
- 1998 - 2% per month of the initial cost of the vehicle.

EMPLOYERS CERTIFICATE OF PAY AND TAX

NAME _____
 ADDRESS _____
 SIGNATURE _____
 DATE & STAMP _____

NOTE: Employer's certificate to be signed by the person who prepares and submits the PAYE End of Year Returns and copy of the P9A be issued to the employee in January.



APPENDIX 1C

HOW TO FILL IN THE TAX DEDUCTION CARD P9A (BENEFITS AND QUARTERS)

1. MONTHLY PERSONAL RELIEF:

Monthly personal relief to any resident individual is Kshs. 1,162/= per month with effect from 1st January, 2005 to 31st December, 2016.

2. BENEFITS:

Rates of benefits are to be found in paragraph (6) and (7) of Part I and Appendix 7 of this Guide Book.

3. VALUE OF QUARTERS/HOUSING: REFER TO ITEM (8) OF PART I. COLUMN A - ENTER BASIC SALARY PLUS ALL CASH ALLOWANCES.

COLUMN A	-	Enter Basic salary plus all cash
COLUMN B	-	Enter Benefits (if applicable) calculated on the reverse side of P9A
COLUMN C	-	If housing is provided by employer enter 15 per cent of the amount in Column A & B less the amount of monthly rent paid by employee or actual rent paid (see example in Part I item (21))
COLUMN D	-	Enter total Gross pay of column A + Column B + Column C
COLUMN E	-	Enter defined contribution/benefits calculation per column (e1), (e2), (e3).
Column e1	-	Enter 30 per cent (30%) of pensionable monthly pay per Column (D)
Column e2	-	Enter actual amount of contribution made by the employee
Column e3	-	Enter the fixed monthly limit which is Kshs. 20,000/= per month
COLUMN G	-	Enter the lesser of Column (e1), (e2), (e3).
COLUMN H	-	Enter balance pay of month after contribution/defined benefit i.e. Column D less Column G
COLUMN J	-	Enter tax calculated in accordance with the Rates of tax provided in this Guide Book
COLUMN K	-	Enter monthly Personal Relief
COLUMN L	-	Enter PAYE tax less relief (Column J - K).

END OF YEAR

Finally enter the total of column (H) and (L) into space provided.

APPENDIX 2A

TAX DEDUCTION CARD YEAR 2016

Employers Name: _____ Employer's PIN _____

Employers Main Name: _____

Employers Other Names: _____ Employee's PIN _____

MONTH	Basic Salary Kshs.	Benefits-NonCash Kshs.	Value of Quarters Kshs.	Total Gross Pay Kshs.	Defined Contribution Retirement Scheme Kshs.			Owner-Occupied Interest Kshs.	Retirement Contribution & Owner Occupied Interest Kshs.	Chargeable Pay Kshs.	Tax Charged Kshs.	Personal Relief Kshs.	Insurance Relief Kshs.	PAYE Tax (I-K) Kshs.
					E1 30% of A	E2 Actual	E3 Fixed							
January	52000			52000	15600	5200	20000	12500	17700	34300	5613	1162	1162	4451
February	52000			52000	15600	5200	20000	12500	17700	34300	5613	1162	1162	4451
March	52000			52000	15600	5200	20000	12500	17700	34300	5613	1162	1162	4451
April	52000			52000	15600	5200	20000	12500	17700	34300	5613	1162	1162	4451
May	52000			52000	15600	5200	20000	12500	17700	34300	5613	1162	1162	4451
June	52000			52000	15600	5200	20000	12500	17700	34300	5613	1162	1162	4451
July	66000			66000	19800	6600	20000	12500	19100	48900	9165	1162	1162	8003
August	66000			66000	19800	6600	20000	12500	19100	48900	9165	1162	1162	8003

continued on next page

MONTH	Basic Salary Kshs.	Benefits-NonCash Kshs.	Value of Quarters Kshs.	Total Gross Pay Kshs.	Defined Contribution Retirement Scheme Kshs.			Owner-Occupied Interest Kshs.	Retirement Contribution & Owner Occupied Interest Kshs.	Chargeable Pay Kshs.	Tax Charged Kshs.	Personal Relief Kshs. 1162	Insurance Relief Kshs. -	PAYE Tax (I- K) Kshs.
					E1 30% of A	E2 Actual	E3 Fixed							
A	B	C	D	E	F	G	H	I	J	K	L			
September	66000		66000	19800	6600	20000	12500	19100	46900	9165	1162		8003	
October	66000		66000	19800	6600	20000	12500	19100	46900	9165	1162		8003	
November	66000		66000	19800	6600	20000	12500	19100	46900	9165	1162		8003	
December	66000		66000	19800	6600	20000	12500	19100	46900	9165	1162		8003	
TOTALS	708000		708000	212400	70800	240000	150000	220800	487200	88668	13944		74724	

To be completed by Employer at end of year

TOTAL TAX (COL. L) Kshs. 143,172

TOTAL CHARGEABLE PAY (COL. H) Kshs. 487,200

(b) Attach:

IMPORTANT

(i) Photostat copy of interest certificate and statement of account from the Financial Institution.

(ii) The DECLARATION duly signed by the employee.

1. Use P9A:

(a) For all liable employees and where director/employee received Benefits in addition to cash emoluments.

(b) Where an employee is eligible to deduction on owner occupier interest.

2. (a) Deductible interest in respect of any month must not exceed Kshs. 12,500/= (See back of this card for further information required by the Department), P9A

NAMES OF FINANCIAL INSTITUTION ADVANCING MORTGAGE LOAN

HOUSING FINANCE COMPANY OF KENYA

L R NO. OF OWNER OCCUPIED PROPERTY: 208/119 NAIROBIWEST

DATE OF OCCUPATION OF HOUSE: 15TH DECEMBER 2000

APPENDIX 2B

HOW TO FILL IN THE TAX DEDUCTION CARD P9A (INTEREST ON OWNER OCCUPIED RESIDENTIAL PROPERTY)

1. MONTHLY PERSONAL RELIEF:

Monthly personal relief to any resident individual is Kshs. 1,162/= per month with effect from 1st January, 2005 to 31st December, 2016.

2. BENEFITS:

Rates of benefits are to be found in paragraph (6) and (7) of Part I and Appendix 7 of this Guide Book.

3. VALUE OF QUARTERS/HOUSING: REFER TO ITEM (8) OF PART I. COLUMN A - ENTER BASIC SALARY PLUS ALL CASH ALLOWANCES.

COLUMN A	-	Enter Basic salary plus all cash
COLUMN B	-	Enter Benefits (if applicable) calculated on the reverse side of P9A
COLUMN C	-	Enter Housing Benefit where applicable
COLUMN D	-	Enter total Gross pay of column A + Column B + Column C
COLUMN E	-	Enter defined contribution/benefits calculation per column (e1), (e2), (e3).
Column e1	-	Enter 30 per cent (30%) of pensionable monthly pay per Column (D)
Column e2	-	Enter actual amount of contribution made by the employee
Column e3	-	Enter the fixed monthly limit which is Kshs. 20,000/= per month
COLUMN F	-	Enter the standard amount of allowable interest of Kshs.12500/- per month.
COLUMN G	-	Enter the lowest amount of Retirement Contribution under Column E plus interest under Column F.
COLUMN H	-	Enter balance pay of month after Retirement contribution and owner occupied interest i.e. Column D less Column G.
COLUMN I	-	Enter tax calculated in accordance with the Rates of tax provided in this Guide Book
COLUMN J	-	Enter tax charged in accordance with the Rates of tax provided in this Guide
COLUMN K	-	Enter monthly personal Relief
COLUMN L	-	Enter tax charged less personal relief (Column J - K).

END OF YEAR

Finally enter the total of column (H) and (L) into space provided.

APPENDIX 3A

TAX DEDUCTION CARD YEAR 2016

Employers Name:

Employer's PIN

Employers Main Name:

Employee's PIN

Employers Other Names:

MONTH	Basic Pay Kshs.	Benefits- NonCash Kshs.	Value of Quarters Kshs.	Total Gross Pay A +B+C Kshs.	Defined Contribution Retire- ment Scheme Kshs.			Savings Plan Kshs.	Retire- ment Con- tribution & Savings Plan Kshs.	Chargea- ble Pay Kshs.	Tax Charged Kshs.	Monthly Relief Kshs.	Insurance Relief Kshs.	PAYE Tax Kshs.	
					E1 30% of A	E2 Actual Cont.	E3 Legal Limit								
January	30000	18000	7200	55200	9000	3000	20000	4000	7000	48200	9553	1162	1162	8391	
February	40000	18000	38000	96000	12000	4000	20000	4000	8000	88000	21493	1162	1162	20331	
March	50000	18000	38000	106000	15000	5000	20000	4000	9000	97000	24193	1162	1162	23031	
April	50000	18000	38000	106000	15000	5000	20000	4000	9000	97000	24193	1162	1162	23031	
May	50000	18000	38000	106000	15000	5000	20000	4000	9000	97000	24193	1162	1162	23031	
June	63000	18000	38000	119000	18900	6300	20000	4000	10300	108700	27703	1162	1162	26541	
July	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993	1162	1162	33831	
August	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993	1162	1162	33831	
												Total Kshs. 1162			

1162
33831

continued on next page

MONTH	Basic Pay Kshs.	Benefits-NonCash Kshs.	Value of Quarters Kshs.	Total Gross Pay A +B+C Kshs.	Defined Contribution Retirement Scheme Kshs.	E1 30% of A	E2 Actual Cont.	E3 Legal Limit	Savings Plan Kshs.	Retirement Contribution & Savings Plan Kshs.	Chargeable Pay Kshs.	Tax Charged Kshs.	Monthly Relief Kshs.	Insurance Relief Kshs.	PAYE Tax Kshs.
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
September	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993	1162	33831		
October	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993	1162	33831		
November	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993	1162	33831		
December	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993	1162	33831		
TOTALS	823000	216000	425200	1464200	246,900	82300	240000	48000	130300	1333900	341286	13944	327342		

To be completed by Employer at end of year

TOTAL TAX (COL L) Kshs.327,342

TOTAL CHARGEABLE PAY (COL. H) Kshs.1,333,900

3. Attach the DECLARATION duly signed by the eligible employee to form P9A (HOSP)

IMPORTANT

4. See back of this card for further information required by the Department

1. Use P9A:

S. P. 9A (HOSP)

(a) For all liable employees and where director/employee received Benefits in addition to cash emoluments.

NAMES OF APPROVED INSTITUTION

(b) Where an employee is eligible to deposit funds with a registered Home Ownership Savings Plan.

L R NO. OF OWNER OCCUPIED PROPERTY: _____

2. Deductible deposit in respect of any year must not exceed the statutory limit of Kshs. 48,000/=

DATE OF OCCUPATION OF HOUSE: _____

APPENDIX 3B

HOW TO FILL IN THE TAX DEDUCTION CARD P9A (HOSP) (HOME OWNERSHIP SAVING PLAN)

1. MONTHLY PERSONAL RELIEF:

Monthly personal relief is with effect from 1st January, 2005 to 31st December, 2016 is Kshs. 1,162/- per month due to any resident individual.

2. BENEFITS:

Rates of benefits are to be found in paragraph (6) and (7) of Part I and Appendix 7 of this Guide Book.

3. VALUE OF QUARTERS:

Is explained as item (g) on Page 7 of the Guide Book

ENTRIES ON P9A (HOSP)

COLUMN A	-	Enter Basic salary plus all cash allowances
COLUMN B	-	Enter Benefits (if applicable) calculated on the reverse side of P9A (HOSP).
COLUMN C	-	If housing is provided by employer enter 15% (percent) of the total amount in Column A + Column B less the amount of monthly rent paid by employee (see example in Part I ("HOW PAYE IS WORKED").
COLUMN D	-	Enter total Gross Pay of Column A + Column B + Column C
COLUMN E	-	Enter defined contribution/defined benefit calculation per columns (e1), (e2), (e3)
Column e1	-	Enter 30 per cent (30%) of pensionable monthly pay per Column (D).
Column e2	-	Enter actual amount of contribution made by the employee
Column e3	-	Enter the fixed monthly limit which is Kshs. 20,000/= per month
COLUMN F	-	Enter the allowable monthly deposit of funds subject to a maximum of Kshs. 4000/- per month or Kshs. 48,000/- in a year
COLUMN G	-	Enter the lowest amount of Column E plus Column F
COLUMN H	-	Enter balance pay of month after deduction of contribution/defined benefit and deposit on Home Ownership Saving Plan that is Column D less Column G.
COLUMN I	-	Enter tax calculated in accordance with the Rates of tax provided in this Guide Book
COLUMN J	-	Enter tax charged, in accordance with the Rates of tax provided in this Guide Book
COLUMN K	-	Enter monthly personal Relief
COLUMN L	-	Enter tax charged less personal relief (Column J - K).

END OF YEAR

Finally enter the total of column (H) and (L) into space provided.

APPENDIX 4(1)

TAX DEDUCTION CARD YEAR 2016

Employers Name: _____ Employer's PIN _____

Employers Main Name: _____

Employers Other Names: _____ Employee's PIN _____

MONTH	Basic Pay Kshs.	Benefits- NonCash Kshs.	Value of Quarters Kshs.	Total Gross Pay A+B+C Kshs.	Defined Contribution/ Benefit Calculation		Defined Con./ Ben. Kshs.	Chargeable Pay (D-F) Kshs.	Tax Charged Kshs.	Monthly Relief Kshs.	Insurance Relief Kshs.	PAYE Tax Kshs.
					E1 30% of A	E2 Actual Cont.						
January	17770	10000	C	D	E	F	G	H	I	-	-	K
February	17770	10000				Amount Deposited	The lowest of E added to F		Total Kshs. 1162			
March	17770	10000		27770	630	630	20000	27140	3932	1162	1162	2770
April	17770	10000		27770	630	630	20000	27140	3932	1162	1162	2770
May	17770	10000		27770	630	630	20000	27140	3932	1162	1162	2770
June	21437	10000		31437	6431	956	20000	30481	4658	1162	1162	3496
July	21437	10000		31437	6431	956	20000	30481	4658	1162	1162	3496
August	21437	10000		31437	6431	956	20000	30481	4658	1162	1162	3496

continued on next page

MONTH	Basic Pay Kshs.	Benefits- NonCash Kshs.	Value of Quarters Kshs.	Total Gross Pay A + B + C Kshs.	Defined Contribution/ Benefit Calculation Kshs.			Defined Con./ Ben. Kshs.	Chargeable Pay (D-F) Kshs.	Tax Charged Kshs.	Monthly Relief Kshs.	Insurance Relief Kshs.	PAYE Tax Kshs.
					E1 30% of A	E2 Actual Cont.	E3 Legal Limit						
	A	B	C	D	E	F	G	H	I	J	K		
September	21437	10000		31437	6431	956	20000	956	30481	4658	1162	1162	3496
October	83795	15000	30000	128795	25138	998	20000	998	127797	33432	1162	1162	32270
November	83795	15000	30000	128795	25138	998	20000	998	127797	33432	1162	1162	32270
December	83795	15000	30000	128795	25138	998	20000	998	127797	33432	1162	1162	32270
TOTALS	425983	135000	90000	650983	127793	9968	240000	9968	641015	138588	13944	13944	124644

To be completed by Employer at end of year

Total Chargeable Pay (Col. G), Kshs. 641,015

Tax deducted (Col. K) Kshs. 124,644

IMPORTANT: Use P9B where the director/employee receives Tax - free Remuneration.

(See back of this card for further information required by the Department) P9B

APPENDIX 4(2)

TAX DEDUCTION CARD YEAR 2016

Employers Name: _____ Employer's PIN _____

Employers Main Name: _____

Employers Other Names: _____ Employee's PIN _____

MONTH	Basic Pay Kshs.	Benefits- NonCash Kshs.	Value of Quarters Kshs.	Total Gross Pay A+B+C Kshs.	Defined Contribution/ Benefit Calculation			Defined Con./ Ben. Kshs.	Chargeable Pay(D-F) Kshs.	Tax Charged Kshs.	Monthly Relief Kshs. 1280	PAYE Tax Kshs.
					E1 30% of A	E2 Actual Cont.	E3 Legal Limit					
January	12,609	10,000	-	22,609	6,783	839	20,000	839	21,770	2,709	1,280	1,429
February	25,693	10,000	-	35,693	10,708	1,629	20,000	1,629	34,065	5,259	1,280	3,979
March	39,781	10,000	-	49,781	14,934	2,419	20,000	2,419	47,362	8,812	1,280	7,532
April	54,490	10,000	-	64,490	19,347	3,209	20,000	3,209	61,281	12,988	1,280	11,708
May	134,391	10,000	-	144,391	43,317	7,500	20,000	7,500	136,891	35,671	1,280	34,391
June	710,105	50,000	-	760,105	228,032	37,500	20,000	37,500	722,605	211,385	1,280	210,105
July	15,245	10,000	10,000	35,245	10,573	838	20,000	838	34,406	5,344	1,280	4,064
August	29,356	10,000	10,000	49,356	14,807	1,629	20,000	1,629	47,727	8,922	1,280	7,642

continued on next page

MONTH	Basic Pay Kshs.	Benefits- NonCash Kshs.	Value of Quarters Kshs.	Total Gross Pay A + B + C Kshs.	Defined Contribution/ Benefit Calculation Kshs.			Defined Con. / Ben. Kshs.	Chargeable Pay (D-F) Kshs.	Tax Charged Kshs.	Monthly Relief Kshs. 1,280	PAYE Tax Kshs.
					E1 30% of A	E2 Actual Cont.	E3 Legal Limit					
September	44,065	10,000	10,000	64,065	19,220	2,419	20,000	2,419	61,647	13,098	1,280	11,818
October	71,633	20,000	30,000	121,633	36,490	3,209	20,000	3,209	118,424	30,131	1,280	28,851
November	155,819	20,000	40,000	215,819	64,746	7,500	20,000	7,500	208,319	57,100	1,280	55,820
December	752,962	50,000	100,000	902,962	270,889	37,500	20,000	37,500	865,462	254,242	1,280	252,962
TOTAL	2,046,150	220,000	200,000	2,466,150	739,845	106,189	240,000	106,189	2,359,961	645,663	15,360	630,303

To be completed by Employer at end of year

Total Chargeable Pay (Col. G). Kshs. 2,359,961.

Tax deducted (Col. K) Kshs.630,303

IMPORTANT: Use P9B where the director/employee receives Tax - free Remuneration.

(See back of this card for further information required by the Department) P9B

APPENDIX 4A (1)

TABLE I

HOW TO FILL IN TAX DEDUCTION CARD P.9B (TAX-FREE REMUNERATION} USE TABLE 1 AND TABLE 2 EXAMPLES (APPENDIX 4C AND 4D}

Where an employer pays the tax liability due on an employee's earnings such that the employee receives income free of tax; then the employer shall calculate the monthly tax liability as follows:-

A. Where the employee does NOT receive housing benefits, calculate the tax liability for the month as follows:-

(1) Monthly cash income before pension deduction	Kshs. 15,000
(2) Deductible pension contribution	Kshs. 630
(3) Monthly cash income after pension deductions (1)-(2)	Kshs. 14,370
(4) Monthly benefits	Kshs. 10,000
(5) Monthly taxable income (3+4)	Kshs. 24,370
(6) Tax on monthly taxable income (calculated from Table 1 column (b))	Kshs. 3,378
(7) Monthly personal reliefs	Kshs. 1,162
(8) Tax net of relief (6)-(7)	Kshs. 2,216
(9) Factor without housing (Table 1 Column (d) for taxable income in row (5) above)	Kshs. 1.250
(10) Monthly tax payable (multiply (8) by (9))	Kshs. 2,770
(11) Chargeable income (10)+(1) (Enter gross pay in column (A) of P.98)	Kshs. 17,770*

*See Jan-May entries - (APPENDIX 4 (1))

Normally an employer pays an employee a gross salary out of which tax is deducted. When employer pays an employee a net-of tax salary, then tax has to be paid by the employer on top of net salary paid to the employee

APPENDIX 4A (2)

TABLE I

HOW TO FILL IN TAX DEDUCTION CARD P.9B (TAX-FREE REMUNERATION} USE TABLE 1 AND TABLE 2 EXAMPLES (APPENDIX 4C AND 4D}

Tax calculation where employee does NOT receives housing benefit

	Calculate tax liability for the month as follows:	Grossing up Pay	Grossed Up Pay
1	Monthly cash income before pension deduction	21,714	25,693
2	Deduct pension contribution	1,629	1,629
3	Monthly cash income after pension deduction (1-2)	20,086	24,065
4	Monthly benefits in kind	10,000	10,000
5	Monthly taxable income 3 + 4	30,086	34,065
6	Tax on Monthly taxable income (from table 1 column b)	4,372	5,259
7	Monthly personal relief	1,280	1,280
8	Tax net of relief (6 - 7)	3,092	3,979
9	Factor without housing (from table 1 column d)	1.287	
10	Monthly tax Payable income (8 x 9)	3,979	
11	Chargeable income (1+ 10)	25,693	
		Carry home Pay	21,714

*See Jan-May entries - (APPENDIX 4(2))

Normally an employer pays an employee a gross salary out of which tax is deducted. When employer pays an employee a net-of tax salary, then tax has to be paid by the employer on top of net salary paid to the employee.

APPENDIX 4B (1)

TABLE 2

TAX FREE REMUNERATION 2016

8. Where the employee received housing benefits, calculate the tax liability for the month as follows:-

1	Monthly cash income before pension deduction	Kshs.18,000	Kshs.50,000
2	Deduct pension contribution	Kshs. 956	Kshs. 998
3	Monthly cash income after pension deduction (1-2)	Kshs.17,044	Kshs.49,002
4	Monthly benefits	Kshs.10,000	Kshs.15,000
5	income including benefits (3)+(4)	Kshs.27,044	Kshs.64,002
6	Housing benefit 15% of (5) or monthly fair market rental value, where applicable		Kshs.30,000*
7	Taxable income (5) + (6)	Kshs.27,044	Kshs. 94,002
8	Tax on monthly taxable income (calculate from Table 1, column (b))	Kshs. 3,912	Kshs.23,294
9	Monthly tax reliefs	Kshs. 1,162	Kshs. 1,162
10	Tax net of reliefs (8)-(9)	Kshs. 2,750	Kshs.22,132
11	Factor with housing Table 1, column (e) for taxable income in row 7 above	Kshs. 1.250	Kshs. 1.527
12	Monthly tax payable (multiply 10 by 11)	Kshs. 3,437	Kshs.33,795
13	Chargeable income (12) + (1) Enter gross Pay in column (A) of P.98)	Kshs.21,437**	Kshs.83,795**

* Fair market value

** See month of June-September entries - (APPENDIX 4(1))

*** See months of October-December - (APPENDIX 4(1))

APPENDIX 4B (2)

TABLE I

TAX FREE REMUNERATION 2017

Tax calculation where employee receives housing benefit

	Calculate tax liability for the month as follows:	Grossing of Pay	Grossed Up Pay
1	Monthly cash income before pension deduction	500,000	752,962
2	Deduct pension contribution	37,500	37,500
3	Monthly cash income after pension deduction (1-2)	462,500	715,462
4	Monthly benefits	50,000	50,000
5	Income including benefits 3 + 4	512,500	765,462
6	Housing benefit 15% of 5 or fair market value; whichever is higher	100,000	100,000*
7	Taxable income 5 + 6	612,500	865,462
8	Tax on Monthly taxable income (from table 1 column b)	178,354	254,242
9	Monthly personal relief	1,280	1,280
10	Tax net of relief (8 - 9)	177,074	252,962
11	Factor with housing (from table 1 column E)	1.4286	
12	Monthly tax payable income (10 x 11)	252,962	
13	Chargeable income (1+ 12)	752,962	**
		Carry home pay	500,000

* Fair Market Value

** See Month of July-December entries -(Appendix 4(2))

APPENDIX 4C (1)

TABLE I

TAX TABLE FOR MONTHLY INCOME YEAR 2016

Taxable Income Range (monthly) (a)	Tax on Taxable Income (b)	Marginal Tax Rate (c)	Factor Without Housing (d)	Factor With Housing (e)
For taxable income- Under Kshs. 10165	Kshs.1016 tax on taxable income of Kshs.10164	10%	1.111	1.130
For taxable income from Kshs. 10165 but under Kshs. 19741	Kshs. 1016 plus Kshs.1436 Tax on taxable income of Kshs. 9576	15%	1.176	1.208
For taxable incomes from Kshs. 19741 but under Kshs. 29317	Kshs. 2452 plus Kshs. 1915 on taxable income of Kshs. 9576	20%	1.250	1.299
For taxable incomes from Kshs. 29317but under Kshs. 38893	Kshs. 4367 plus Kshs. 2394 on taxable income of 9576	25%	1.333	1.404
For taxable incomes From Kshs. 38893 and above	Kshs. 6761 plus tax @ 30% on taxable income over Kshs.38892	30%	1.429	1.527

APPENDIX 4C (2)

TABLE I

TAX FREE REMUNERATION

TAXABLE TABLE FOR MONTHLY INCOME YEAR 2017

Taxable Income Range (Monthly) (a)	Tax on taxable Income (b)	Marginal tax rate	Factor without Housing (d)	Factor with Housing (e)	
FROM	TO	1.	(d)	(e)	
1	11,180	Kshs 1,118 tax on Kshs 11,180	10%	1.179	1.2930
11,181	21,714	Kshs 1,118 plus shs 1,580 tax on sh 10,534	15%	1.287	1.3934
21,715	32,248	Kshs 2,698 plus shs 2,107 tax on sh 10,534	20%	1.357	1.4285
32,249	42,782	Kshs 4,805 plus shs 2,633.50 tax on sh 10,534	25%	1.4285	1.4286
Over	42,782	Kshs 7,438.4 plus tax @30% on any amount above sh42,782	30%	1.42857	1.4286

APPENDIX 4D (1)

TABLE 2

TAX FREE REMUNERATION

TAX TABLE FOR ANNUAL INCOME YEAR - 2016

Taxable Income Range (Annually) (a)	Tax on Taxable Income (b)	Marginal Tax Rate (c)	Factor Without Housing (d)	Factor With Housing (e)
For taxable income Under Kshs. 121969	Kshs. 12192 tax on Taxable income of Kshs. 121968	10%	1.111	1.130
For taxable income Kshs.121969 but under Kshs. 236881	Kshs. 12192 plus Kshs.17232 tax on taxable income of Kshs. 114912	15%	1.176	1.208
For taxable incomes from Kshs. 226881 but under Kshs. 351793	Kshs. 29424 plus Kshs. 22980 tax on taxable income of Kshs. 114912	20%	1.250	1.299
For taxable incomes from Kshs. 351793 but under Kshs. 466705	Kshs. 52404 plus Kshs. 28728 tax on taxable income of Kshs. 114912	25%	1.333	1.404
For taxable incomes from Kshs. 466705 and above	Kshs. 81132 plus tax @ 30% of taxable income over Kshs. 466704	30%	1.429	1.527

APPENDIX 4C (2)

TABLE I

TAX FREE REMUNERATION

TAXABLE TABLE FOR ANNUAL INCOME YEAR 2017

Taxable Income Range (Monthly) (a)	Tax on taxable Income (b)	Marginal tax rate (c)	Factor without Housing (d)	Factor with Housing (e)
For taxable income under Kshs 134165	Kshs 13411 tax on taxable income of Kshs 134164	10%	1.179	1.2930
For taxable income Kshs 134165 but under Kshs 260568	Kshs 13411 plus Kshs 18955 tax on taxable income of Kshs 126403	15%	1.287	1.3934
For taxable income from Kshs 360569 but under Kshs 386971	Kshs 32360 plus Kshs 25278 tax on taxable income of Kshs 126403	20%	1.357	1.4285
For taxable income from Kshs 386971 but under Kshs 513374	Kshs 57644 plus Kshs 31600 tax on taxable income of Kshs 126403	25%	1.4285	1.4286
For taxable income from Kshs 513374 and above	Kshs 89245 plus tax @ 30% of taxable income over	30%	1.42857	1.4286

APPENDIX 5

PAYMENT SLIP

INSTRUCTIONS TO EMPLOYERS AND PAYING OFFICERS

INSTRUCTIONS FOR PAYING-IN

The employer should log into iTax and generate a payment slip and print two copies. . Select a payment option whether cash, cheque or RTGS. Payment of the tax due can then be made at any of the KRA partner banks or through the selected mobile platform (Mpesa Paybill Number:572572 or Airtel Money *572#)..

INSTRUCTIONS FOR “NIL” CERTIFICATES

In any month when no tax has been deducted, the employer shall complete and submit the P10 return online before the 10th day of the month following the pay-roll month.

All P.A.Y.E Tax cheques must be drawn in favour of “Commissioner of Domestic Taxes (PAYE)”

NOTE: A “**Paying Point**” is the place at which remuneration is paid.

APPENDIX 6

COMMISSIONER'S PRESCRIBED BENEFIT RATES

A	SERVICES	Monthly Rates	Annual Rates.
		(Kshs)	(Kshs.)
(i)	Electricity - (communal or from a generator)	1500	18000
(ii)	Water - (communal or from a borehole)	500	6000
(iii)	Provision of furniture (1% of cost to employer). if hired the cost of hire should be brought to charge		
(iv)	Telephone (Landline and Mobile Phones)	30% of bills	

B	AGRICULTURAL EMPLOYEES:	REDUCED RATES OF BENEFITS	
(i)	Water	200	2400
(ii)	Electricity	900	10800

Note: The above rates (A + B) are effective from 12th June 2003.

C	MOTOR CARS		
(i)	Saloon Hatch Backs and Estates		
	Up to 1200 cc.	3600	43200
	1201 to 1500 cc.	4200	50400
	1501 to 1750 cc.	5800	69600
	1751 to 2000 cc.	7200	86400
	2001 to 3000 cc.	8600	103200
	Over 3000 cc.	14400	172800
(ii)	Pick-ups, Panel Van Unconverted		
	Up to 1750cc.	3600	43200
	Over 1750 cc.	4200	50400
(iii)	Land Rovers/Cruisers	7200	86400

Note: 1. Range Rovers and vehicles of similar nature are classified as saloons.

2. Car Benefit

Where an employee is provided with a motor vehicle by employer, the benefit should be taken as the higher of:

(a) Fixed monthly rate determined by the Commissioner as shown above and

(b) The prescribed rate of benefits. In this case, the prescribed rate of benefit means:- The proportion of the initial capital cost of the vehicle for each month as follows:-

1996 1% p.m.

1997 1.5% p.m.

1998 et seq 2% p.m.

Where such vehicle is hired or leased from a third party, the cost of hiring or leasing the vehicle should be taken.

APPENDIX 7A

TABLE 2
INDIVIDUAL RATES OF TAX/RELIEF'S: YEARS 2005 – 2016 & 2017

2005-2016				2017			
MONTHLY KSHS.	TAXABLE PAY KSHS.	ANNUAL TAXABLE PAY KSHS.	RATE OF TAX IN % PER KSHS.	MONTHLY TAXABLE PAY KSHS.	ANNUAL TAXABLE PAY KSHS.	RATE OF TAX IN % PER KSHS.	EXCESS OVER KSHS.
1-10164	1-121968		10%	1-11,180	1-134,164	10%	
9576	114912		15%	10,534	126,403	15%	
9576	114912		20%	10,534	126,403	20%	
9576	114912		25%	10,534	126,403	25%	
EXCESS KSHS.38,892	OVER EXCESS KSHS.466,704		30%	EXCESS OVER KSHS. 42,782	EXCESS KSHS.513,373	30%	OVER
PERSONAL RELIEF: SHS. 1162 PER MONTH (SHS. 13,944 PER ANNUM)							
PERSONAL RELIEF: SHS. 1,280 PER MONTH (SHS. 15,360 PER ANNUM)							

APPENDIX 7B

LOW INTEREST RATES BENEFIT COMMISSIONER'S PRESCRIBED RATES OF INTEREST: YEARS 2013 – 2016

YEAR 2013		YEAR 2014	
PERIOD APPLICABLE	RATE APPLICABLE	PERIOD APPLICABLE	RATE APPLICABLE
January - June	10%	January - June	9%
July - December	8%	July - December	9%
YEAR 2015		YEAR 2016	
January - June	9%	January - June	13%
July - December	8%	July - December	9%

APPENDIX 7C**FRINGE BENEFIT TAX****MARKET INTEREST RATES: YEARS 2012 - 2016**

The Commissioner of Domestic Taxes published the following Market interest Rates to be applied for the years 2012 to 2016.

YEAR 2012			YEAR 2013			YEAR 2014			YEAR 2015			YEAR 2016		
MONTH	RATE		MONTH	RATE		MONTH	RATE		MONTH	RATE		MONTH	RATE	
January	16%		January	9%		January	10%		January	9%		January	14%	
February	16%		February	9%		February	10%		February	9%		February	14%	
March	16%		March	9%		March	10%		March	9%		March	14%	
April	19%		April	9%		April	9%		April	9%		April	10%	
May	19%		May	9%		May	9%		may	9%		May	10%	
June	19%		June	9%		June	9%		June	9%		June	10%	
July	13%		July	8%		July	9%		July	9%		July	8%	
August	13%		August	8%		August	9%		August	8%		August	8%	
September	13%		September	8%		September	9%		September	8%		September	8%	
October	16%		October	8%		October	9%		October	9%		October	8%	
November	10%		November	8%		November	9%		November	9%		November	8%	
December	10%		December	8%		December	9%		December	9%		December	8%	

APPENDIX 8

LIST OF P.A.Y.E FORMS USED BY EMPLOYERS

P7	EMPLOYERS GUIDE TO PAYE (INCLUDES MONTHLY TAX TABLES)
P9A	TAX DEDUCTION CARD (BENEFITS/OWNER OCCUPIED INTEREST DEDUCTION/NORMAL CASES)
P9A (HOSP)	TAX DEDUCTION CARDS (HOME OWNERSHIP SAVINGS PLAN)
P9B	TAX DEDUCTION CARD (TAX FREE REMUNERATION)
P10	EMPLOYERS COVERING CERTIFICATE FOR P.A.Y.E MONTHLY RETURNS
P10B	FRINGE BENEFIT TAX RETURN
P10C	EMPLOYER'S CERTIFICATE (WCPS CASES ONLY)
PRN	PAYMENT SLIP





Kenya Revenue Authority



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+254 20 4999999 or 0711-099999
from Monday to Friday between
6:30 a.m. and 6:30 p.m.



callcentre@kra.go.ke

www.kra.go.ke