

**KENYA REVENUE AUTHORITY**

**DOMESTIC TAXES DEPARTMENT**

***EMPLOYER'S GUIDE***

***TO***

***PAY AS YOU EARN IN KENYA***

***Revised Edition - 2009***

**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). It may be some time before a further reprint is available therefore employers should carefully preserve this edition.

**NOTE:**

- I. This issue contains important amendments affecting **P.A.Y.E.** operations in the year 2009.
- II. This Edition Incorporates (P38) Monthly Tax Tables (See Page iii)

**Form P.7**

**DEAR EMPLOYER**

The 2008 Finance Act contains a few amendments to the Income Tax Act (Cap 470) which affect the operation of PAYE.

**1. CAR BENEFIT**

Where an employee has a restricted use of a motor vehicle provided to him by his employer, the Commissioner shall determine a lower rate of benefit depending on the usage of the motor vehicle. The value of motor vehicle benefit, like housing benefit and unlike all other benefits will no longer be determined on the basis of cost to employer or the fair market value.

**2. HOUSING BENEFIT**

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.

**3. FREE OR SUBSIDIZED EDUCATION**

Free or subsidized education granted to “low income employees” dependents by employers who are educational institutions is a tax exempt benefit in the employees’ hands. The employer is also not taxable on the fees forgone.

**4. MEALS TO LOW INCOME EMPLOYEES**

Meals served to low income employees in a canteen or cafeteria operated or established by the employer are a tax exempt benefit. The meals may be outsourced by the employer provided that the canteen or cafeteria is established by the employer. A “low income employee” is an employee whose emoluments do not attract tax at the rate of more than 20%.

**5. EMPLOYEE SHARE OWNERSHIP PLAN [ESOPs]**

For clarification purposes, benefits arising from ESOPs not registered by the Commissioner are taxable.

The effective date of all these changes is 13<sup>th</sup> June, 2009.

**F. K. MULEI**

**COMMISSIONER OF DOMESTIC TAXES**

## P.38 TAX TABLES

### TAX TABLE FOR MONTHLY INCOME: YEAR 2009

<i>MONTHLY TAXABLE INCOME</i> <b>(INCOME BRACKETS)</b>	<b>TAX ON TAXABLE INCOME</b>	<b>TAX RATE IN EACH SHILLING</b>
For Taxable Income under Kshs. 10,165	Kshs. 1,016 on Taxable Income of Kshs. 10,164	10%
For Taxable Income from Kshs. 10,165 but under Kshs. 19,741	Kshs. 1,016 plus Kshs. 1,436 Tax on Taxable Income of Kshs. 9,576	15%
For Taxable Income from Kshs. 19,741 but under Kshs. 29,317	Kshs. 2,452 plus Kshs. 1,915 Tax on Taxable Income of Kshs. 9,576	20%
For Taxable Income from Kshs. 29,317 but under Kshs. 38,893	Kshs. 4,367 plus Kshs. 2,394 Tax on taxable Income of Kshs. 9,576	25%
For taxable Income from Kshs. 38,893 and above.	Kshs. 6,761 plus Tax calculated at 30% on Taxable Income over Kshs. 38,892	30%

# EMPLOYER'S GUIDE TO "PAY AS YOU EARN"

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## 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) pensions paid to pensioners who reside in Kenya, where the amount from a registered pensions fund exceeds Kshs. 180,000 per annum, 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. The necessary P.A.Y.E. Stationery is issued to Employers before commencement of the year.

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

General instructions on the operation of "Pay As You Earn" accompany the documents sent to employers before each P.A.Y.E. period and there are further specific directions printed on the various forms issued by the *Domestic Taxes Office*.

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 Local *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 minister may have made under section 130.

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, minister, chief, 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. 15,000 per month (Kshs. 180,000 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 paid to an employee when out of office (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 1<sup>st</sup> 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 low income employees in a canteen or cafeteria operated or established by the employer are a tax exempt benefit. The meals may be outsourced by the employer provided that the canteen or cafeteria is established by the employer. A “low income employee” is an employee whose emoluments do not attract tax at the rate of more than 20%.
- (v) The monthly pension granted to a person who is sixty five (65) years or more will now be exempt from tax.

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

<b>Prescribed Rates</b>		
	<u>Monthly Rates</u>	<u>Annual Rates</u>
<b>A SERVICES</b>	(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>B AGRICULTURAL EMPLOYEES: REDUCED RATES OF BENEFITS</b>		
(i) Water	200	2400
(ii) Electricity	900	10800

**Note:** The above rates in (A) and (B) are effective from 12<sup>th</sup> June 2003.

**REFER TO APPENDIX 7 SHOWING DETAILS OF BENEFITS.**

**NOTE:**

### School fees:

Education fees of employee's dependants 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 1<sup>st</sup> 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 2006 and 2008, the Commissioner published the following interest rates:-

(a) January – June 2006	- 8%
(b) July – December 2006	- 7%
<b>1<sup>st</sup> Half of the year 2007: January – June 2007</b>	<b>- 6%</b>
<b>2<sup>nd</sup> Half of the year: July – December 2007</b>	<b>- 6%</b>
<b>1<sup>st</sup> half 2008: January – June 2008</b>	<b>- 7%</b>
<b>2<sup>nd</sup> half 2008: July – December 2008</b>	<b>- 7%</b>

#### (ii) Fringe Benefit Tax Payable by Employer (Section 12B) Effective Date 12<sup>th</sup> 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 12<sup>th</sup> 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 11<sup>th</sup> June, 1998 or loan provided on or before 11<sup>th</sup> June, 1998 whose terms and conditions have changed after 11<sup>th</sup> 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.2,100,000
- Interest charged to employee	-	NIL
- Market Interest rate for the month	-	2%

**Calculation of Fringe Benefit Tax:-**

Fringe Benefit is (2% - NIL = 2%) Kshs.2,100,000 x 2%  
 = Kshs.42,000 per annum  
 i.e. Kshs.3,500 per month.

Fringe Benefit tax payable by employer is Kshs. 3,500 x 30% = Kshs.1050/- (for the month).

**SEE APPENDIX 7C for the Rates on Fringe Benefit.**

For the year 2006, 2007 and 2008 the Commissioner published the following prescribed rates of interest:-

<b>1<sup>st</sup> Quarter of the year 2006: January – March 2006</b>	-	<b>8%</b>
<i>2<sup>nd</sup> Quarter of the year 2006: April – June</i>	-	<i>8%</i>
<i>3<sup>rd</sup> Quarter of the year 2006: July – September</i>	-	<i>7%</i>
<i>4<sup>th</sup> Quarter of the year 2006: October – December</i>	-	<i>6%</i>
<i>1<sup>st</sup> 2 Quarters – January to June 2007</i>	-	<i>6%</i>
<i>Last 2 quarters – July to December 2007</i>	-	<i>7%</i>
<i>1<sup>st</sup> Quarter 2008: January – March</i>	-	<i>7%</i>
<i>2<sup>nd</sup> Quarter 2008: April – June</i>	-	<i>7%</i>
<i>3<sup>rd</sup> Quarter 2008: July – September</i>	-	<i>8%</i>
<i>4<sup>th</sup> Quarter October – December 2008</i>	-	<i>8%</i>

**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 on or before the 10<sup>th</sup> day of the following month to the Pay-Master General 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 1<sup>ST</sup> January, 1999 is due and payable on or 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 – SECTION 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 2001 for Kshs. 2,500,000.

- Car benefit is calculated as follows:-
- $2\% \times \text{Kshs. 2,500,000} = \text{Kshs. 50,000 per month}$
- 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) with free medical services or free medical insurance, the value of such medical service or insurance is not a taxable benefit on the employer.

***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 Minister 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:**

- (a) Maximum allowable Pension/Provident Fund contribution had been increased from Kshs. 17,500 per month to Kshs. 20,000 per month (i.e. Kshs. 240,000 per annum), **effective 1<sup>st</sup> January 2006.**
- (b) The monthly pension granted to a person who is sixty five (65) years or more will now be exempt from tax.

**- 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 1<sup>st</sup> 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 1<sup>st</sup> July 2004.**

**(15) HOME OWNERSHIP SAVINGS PLAN**

A depositor (employee) shall in any year of income commencing on or after 1<sup>st</sup> 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 1<sup>st</sup> 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 - SECTION 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.150,000 per year (equivalent to Kshs. 12,500 per month).

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 financial institutions specified under the fourth schedule of the Income Tax Act include:-

- A bank or a financial institution licensed under the Banking Act.
- An insurance company licensed under the Insurance Companies Act.
- A building society registered under the Building Societies 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. 12,500 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. 150,000 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. 150,000 or more during the year.

**(17) PERSONAL RELIEFS**

**(a) Monthly Personal Relief – Kshs. 1,162 (with effect from 1<sup>st</sup> January 2005)**

A resident individual with taxable income is entitled to a personal relief of Kshs. 1,162 per month (i.e. Kshs. 13,944 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 1<sup>st</sup> 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 1<sup>st</sup> January,2003 shall qualify for relief.

**Notes:**

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 1<sup>st</sup> January, 2003.

The insurance relief allowable in the payroll from the month of January will be calculated

Kshs. 48,000 x 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, 2006 is Kshs. 40,000 will have his PAYE tax calculated as follows:-

Tax charged on chargeable pay Kshs. 40,000 .....	Kshs.
* First Kshs. 10,164 at 10%	1,016
* Next Kshs. 9,576 at 15%	1,436
* Next Kshs. 9,576 at 20%	1,915
* Next Kshs. 9,576 at 25%	2,394
* <u>Balance Kshs. 1,108 at 30%</u>	<u>332</u>
TOTAL KSHS. 40,000	7,093
Less Monthly Personal Relief	<u>1,162</u>
<b>PAYE to be deducted</b>	<b><u>5,931</u></b>

**(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)**

This form is supplied to the employer by the Domestic Taxes Office free. A Form P.9 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. Upon final completion after the year end, it is returned to the Domestic Taxes Office, together with P10, P10A and P11 copy as PAYE end of year return.

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 ON LUMP SUM PAYMENTS (Gratuities, Bonuses, etc.)**

## **A: - Notification**

Employers are no longer required to notify the Tax Department before making payments of terminal benefits to the employees upon leaving their employment. 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 2006 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 2005. 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. 2004, 2005 e.t.c).

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

#### **Breakdown of Lump sum payment**

<b><u>Year</u></b>		<b><u>Taxable Amount</u></b>
		<b><u>Kshs.</u></b>
2006	-	Notice Pay 90,000
2005	-	Service gratuity 22,000
	-	Leave pay 25,000
2004	-	Service gratuity 22,000
2003	-	“ 22,000
2002	-	“ 22,000
2001	-	“ 22,000 plus Kshs. 550,000 for 2000 & prior years.

Total Kshs. 47,000

#### **\* 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 2000 and prior years is assessable in 2001 being the 5th year prior to the year of receipt (2006) 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**

- (i) 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 31/12/2005 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:-

<u>Year</u>		<u>Taxable Amount (Kshs.)</u>
2006	-	550,000
2007	-	550,000

- (ii) 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 31/12/2005 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 2006, shs.300,000 in year 2007 and balance shs.100,000 in year 2008.

- (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 31/12/2005 and Kshs. 1,500,000 compensation is paid, the amount is to be spread forward and assessed evenly in three years as follows:-

<u>Year</u>		<u>Taxable Amount (Kshs.)</u>
2006	-	500,000
2007	-	500,000
2008	-	500,000

- **The amendment is effective from 1<sup>st</sup> 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. 2006) 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:-**

- (i) Names of employees and their PIN numbers.
- (ii) Gross amount paid to each employee.
- (iii) Nature of payment and the period to which it relates.
- (iv) 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 Pay-Master General using Paying- In Credit slip- (P11) as the normal PAYE remittances. However, the amount of tax involved should be shown separately from the normal PAYE deductions and the nature of payment also indicated in the space provided in the P11.

**(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.1162 per month.

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

	<b>Kshs.</b>
Tax charged on chargeable pay Kshs. 20,000.....	
* First Kshs. 10,164 at 10%.....	1,016
* Next Kshs. 9,576 at 15%.....	1,436
* Balance Kshs. 260 at 20%.....	<u>52</u>
Total Kshs. 20,000	2,504
Less monthly personal relief .....	<u>1,162</u>
<b>PAYE to be deducted</b> .....	<b><u>1,342</u></b>

- (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;

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

	<b>Kshs.</b>
Tax charged on chargeable pay Kshs. 75,600 .....	
* First Kshs. 10,164 at 10%.....	1,016
* Next Kshs. 9,576 at 15% .....	1,436
* Next Kshs. 9,576 at 20% .....	1,915
* Next Kshs. 9,576 at 25% .....	2,394
* Balance Kshs. 36,708 at 30% .....	<u>11,012</u>
* Total Kshs. 75,600 .....	<b>17,773</b>
Less monthly personal relief .....	<u>1,162</u>
<b>PAYE to be deducted .....</b>	<b><u>16,611</u></b>

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

	<b>Kshs</b>
Watchman (Night) .. .. .	2,000
Car .. ..(cost Kshs. 500,000 x 2% per month) .. .. .	10,000
Electricity .. .. .	1,500
Water .. .. .	600
House Servant .. .. .	<u>1,500</u>
Total Benefits per month.. .. .	<b><u>15,600</u></b>

The tax deducted is paid over by the employer before the 10th day of the month following the payroll month using P.A.Y.E. credit slip paying-in-Book - P.11 (see Part iv). "B" and "X" are given Monthly Pay Slips showing their monthly income and amount of tax deducted.

## **PART II**

### **WHAT THE EMPLOYER SHOULD DO BEFORE 1<sup>ST</sup> JANUARY, EACH YEAR**

#### **1. DOCUMENTS TO BE SENT TO EMPLOYERS**

Before commencement of each year, every known employer will be expected to collect sufficient quantity of PAYE stationery which are necessary for the operation of the PAYE scheme.

#### **2. CHECK DOCUMENTS RECEIVED**

The PAYE documents received from the Domestic Taxes Office should be checked properly to ensure that the quantity supplied is adequate and that none is missing. If any of the forms are missing or additional supplies are required, then Domestic Taxes Office should be notified immediately.

#### **3. WHO IS LIABLE FOR P.A.Y.E.**

Any individual whose gross pay plus benefits including housing provided by employer exceeds Kshs.11135/- 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.11135/- per month.

## **PART III**

### **TAX DEDUCTION CARDS**

#### **1. P9A, P9A (HOSP), P9B**

There are three types of Tax Deduction Cards:-

##### **(i) Form P.9A**

- a) All employees whose earnings in cash exceed Kshs.11,135/= 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. 11,135/=.
- b) All Company Directors, whether receiving benefits or not (if not receiving benefits a "NIL" certificate is required on the reverse side of the card at the end of the year).

##### **(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, IC, 2A,2B and 3A,3B for P9A(HOSP) and Appendix 4,4A to 4D for P9B )

**2. EMPLOYER WISHING TO USE OWN TAX DEDUCTION CARDS**

Where an employer wishes to use his own Tax Deduction Cards, he must apply to the Commissioner of Domestic Taxes, Head Office, P.O. Box 30742, Nairobi, for approval. A fresh application is not required every year once approval has been granted.

An employer may use Tax Deduction Cards which are marketed by any Business consultant firm provided that the Commissioner's approval reference has been printed on the card. It is not therefore necessary for such employers to file separate applications to the Commissioner.

**3. 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.

Where an employee retires on pension and continues to reside in Kenya he should not be treated as leaving the employment, if the pension is paid by the former employer. However, it should be noted that the first Kshs. 15,000 per month (or Kshs. 180,000 per annum) from a registered pension fund is free of tax and should not be entered on the Tax Deduction Card.

- **This revised amount became effective from 1<sup>st</sup> July 2004.**

**4. 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.
- Employers are reminded that Form P39 is no longer in use.

**5. 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.

**6. TAX TABLES**

Monthly Tax Tables (**Revised 2009**) 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 Minister.

**7. 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 IV**

### **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 on or *before the 9<sup>th</sup> day of the month following pay-roll month*. Failure and/or late P.A.Y.E payments will incur penalty at the rate of **20 per cent** of amount paid late as per Section 72D and interest at 2% per month per section 94(1). (see item number 4 below)

Each employer is supplied with a P.A.Y.E. Credit Slip Paying-in Book (Form No.P11). The method of paying-in is summarized on the front cover of each Paying-in Book to remind employers of what has to be done.

If the total amount of tax deducted from all employees in any month is less than one hundred shillings or when no tax has been deducted, the employer must complete the relevant portions of the top copy of a Credit Slip and send it direct to his Domestic Taxes Office before the tenth day of the month following. The remaining two copies in the monthly set should be left in the Paying-in Book. (Where the total amount is less than KSh.100, it should be carried forward to later months until it exceeds KSh.100 or until December, whichever is the earlier, and then paid-in).

In the case where the P.A.Y.E. tax deducted exceeds shillings one hundred the employer should pay the tax deducted in respect of his staff once monthly, to the branch bank at which he maintains an account. If he has no bank account, he may pay in to any bank but such payments will only be accepted in cash.

Cheques should be drawn payable to "**Paymaster-General, Kenya**". All three copies of the monthly set should be completed in every detail and signed by the employer. Bank tellers will stamp all three copies and remove the top two, leaving the last copy in the book as acknowledgement to the employer for his records. Employer's Personal Identification Number (**PIN**) must be shown on all the three copies of **P11s**.

#### **NOTE:**

a) Show the following information at the bottom right hand side of the P.11:

- i) Employer's Name
- ii) Current Postal Address
- iii) Telephone Number

b) Show at the Top Right Hand Side of the P.11:

- 1. Payroll month or whatever payment is applicable.
- 2. P.I.N. (PERSONAL IDENTIFICATION NUMBER).

#### **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 or distance from a



bank, 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. Audits, penalty or interest imposed for P.A.Y.E. offences to the Pay-Master General using Paying-In-Credit Slip - P11 in the usual way as normal monthly P.A.Y.E. remittances.

In such cases, the amount of tax involved should be shown separately from normal P.A.Y.E. deductions and the nature of payment stated in the space provided on the P11.

The penalty/interest notice number should also be quoted where applicable.

### **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 prescribed 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) Penalty on Unpaid Tax – Section 72D**

A penalty of 20% will be levied on PAYE tax remaining unpaid after due date.

#### **c) Interest on Unpaid Tax – Section 94 (1)**

A late payment interest of 2% per month or part thereof shall be charged on amount of PAYE tax, including the penalty remaining unpaid for more than one month after the due date until the full amount is paid.

### **5. APPEAL BY EMPLOYERS AGAINST P.A.Y.E. PENALTIES**

An employer may appeal to the Income Tax Local Committee against imposition of P.A.Y.E. penalty by the Commissioner within 30 days after the date of service of the notice; PROVIDED THAT:-

- i) Employer shall first pay all the tax due plus the penalty imposed prior to lodging the appeal.
- ii) The determination of the appeal shall be limited to the question of whether or not employer had complied with the provisions of Section 37 of the Income Tax Act and the P.A.Y.E. Rules relating to the deduction of tax from employees' emoluments.

#### **NOTE:**

The Income Tax (Local Committee) Rules shall be applicable in this respect.

## **PART V**

### **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 on his copy of Form P.11. This list should either be in numerical pay-roll or alphabetical order and should be retained in case it is required for any purpose including Income Tax Audit.

#### **2. ARITHMETICAL OR OTHER ERRORS ON TAX DEDUCTION CARD**

Entries made on the Tax Deduction Card cannot be altered in any manner. Corrections can be made in the following months in the same year as follows:

- (a) Place an asterisk (\*) next to the incorrect entry and explain the error in the margin or overleaf.
- (b) Place an asterisk (\*) next to correcting entry in the following months and explain how the error was corrected in the margin or overleaf.

If the employer discovers the error after the end of the year or if for any other reason he cannot correct the mistake, then the attention of the Domestic Taxes Office should be specifically drawn to the error. Spoiled cards should not be destroyed but should be attached to the new card.

### **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 VI**

### **END OF THE YEAR PROCEDURE**

#### **1. COMPLETION OF P.A.Y.E. DOCUMENTS**

##### **(a) TAX DEDUCTION CARDS - P9A, P9A (HOSP), P9B**

At the end of each year employers should fully complete the questionnaire on every Tax Deduction Card showing:-

- i) Dates of commencement and leaving of employment.
- ii) Names and address of old and/or new employer; if known.
- iii) Details of benefits provided, if any, at the back of the Tax Deduction Cards.
- iv) **The amounts and details of any pay from which tax was deducted which relate to an earlier or later period e.g. gratuities, Bonuses, Compensation for loss of office e.t.c.**
- v) **Details of rent paid by employee towards housing.**

##### **(b) EMPLOYERS CERTIFICATE - FORM P10**

Employers should give details of normal monthly P.A.Y.E. remittances, separately from other payments made to the Pay-Master General relating to tax on lump sum payments, Audit tax, Interest and penalty. Dates on which the relevant payments were made to the bank must also be shown in the space provided (Appendix 5).

##### **(c) SUPPORTING LIST - FORM P10A**

In addition to giving details of tax deducted for each employee per the Tax Deduction Cards – P.9A, P9A (HOSP) or P9B, employers are required to show the total tax paid in respect of :-

Lump sum payments, P.A.Y.E. Audit, Interest and Penalty (Appendix 5A).

##### **(d) FORM P.10B – FRINGE BENEFIT TAX RETURN**

Since Fringe Benefit Tax is payable by employer, the details of the fringe benefits and tax paid thereon should not be reflected on the employee's Tax Deduction Card – P.9A.

Employers are therefore required to submit a return to the Department at the end of the year using Form P.10B to show names of the employees involved, loan amounts, rate of interest charged by employer, taxable fringe benefit values and amount of tax paid. The fringe benefit tax return – (P.10B) should be submitted by employer together with other P.A.Y.E. End of Year documents.

## **2. RETURN OF DOCUMENTS TO DOMESTIC TAXES OFFICES ON OR BEFORE 28TH FEBRUARY**

The following documents which comprise P.A.Y.E. End of Year Return should be submitted to the relevant Domestic Taxes Office on or before **28TH FEBRUARY**

- (a) Employer's Certificate - P.10 (2 Copies)
- (b) Supporting list to End of Year Certificate (P.10A in duplicate)
- (c) Fringe Benefit Tax Return – (P.10B).
- (d) Tax Deduction Cards (P9A, P9A (HOSP), P.9B) for all the employees whom tax had been deducted from their pay during the year.
- (e) A list of all the employees who received lump sum payments during the year indicating their full names, gross amount received, relevant years and amount of tax deducted.
- (f) Photostat copies of ALL the pay – in - credit slips (P11s) for the year.

### **NOTE:**

All Employers are notified that only ONE set of P.A.Y.E. END OF YEAR RETURN in respect of all employees, wherever they may be, should be submitted. The Department therefore expects all branch returns to be forwarded to the company's Head Office from where one consolidated return will be made.

## **3. CALCULATION OF BENEFITS ON REVERSE SIDE OF P.9A**

The calculation of benefits on the reverse side of each P9A (Tax Deduction Card-Benefit Cases) must be completed and signed by the employer at the end of the year.

The total of benefits as calculated should agree with the total at column "B" of P9A. Where it does not agree a written explanation should be attached to P.9A.

It should be noted that in the case of a director who is not receiving benefits a "NIL" entry should be made by the employer against each item on the "Benefit Calculation".

An example of the reverse side of P.9A is shown on Appendix 1B.

## **4. 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.

## **5. AUDIT PROCEDURE**

The Domestic Taxes Department may send officers to employers' paying points during the year to check that they are operating the scheme correctly and to give guidance to employers if they are in difficulties. Any such officer will produce a signed authority. Employers will be expected to make all records relating to P.A.Y.E. operation available for inspection.

The audit process will include inter alia, a check that:

- a) The employer has brought into the payroll all the employee's emoluments, cash allowances and benefits.
- b) The employer has deducted correct amount of P.A.Y.E. tax.
- c) The tax deducted has all been paid over to the bank.
- d) The pay shown in employer's salary records has correctly been transferred to the Tax Deduction Cards.
- e) The Tax Deduction Card has been correctly completed.

**PART VII**  
**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.1,162/-. No housing is provided.

		<u>Kshs.</u>
10.1.2005	December 2003 commission (no tax deducted).....	10,000
15.1.2005	Fortnightly salary (no tax deducted) .....	8,000
31.1.2005	Fortnightly salary (tax to be deducted) .....	<u>10,000</u>
	<b>Total</b>	<b><u>28,000</u></b>

**Tax Deduction Card Entries:**

Enter column (A) for January (monthly pay) Kshs. 28,000

	<u>Kshs.</u>
Enter column (J) tax charged .....	4,104

Enter column (K) for January (monthly personal relief) ..... 1,162

Enter column (L) for January (P.A.Y.E.) ..... **2,942**

Employer will recover **Kshs. 2,942** 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 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.15,000 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. 12,500 per month to Kshs. 15,000 per month with effect from **1<sup>st</sup> July 2004**.

## **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 Paymaster General.*

### **(b) RETURNS OF CONTRIBUTIONS**

#### **(i) FORM P10 (EMPLOYER'S CERTIFICATE)**

Employer's Certificate follows the same pattern of P.A.Y.E. monthly summary remitted. Here the total monthly remittances of the contributions should be listed to cover the return period normally for 12 months in a calendar year. Thus the twelve months total should be entered at the bottom of the relevant column on Form P10 certificate.

#### **(ii) FORM P10A (SUPPORTING LIST TO EMPLOYER'S CERTIFICATE)**

An additional column introduced to cater for total annual contribution towards the fund by individual contributors is incorporated under the Form P10A supporting list. This means against each name in the list there should be total P.A.Y.E. tax deducted and alongside separate amounts of contributions under the funds.

The respective total for the year should be shown at the end of the listing.

## **7. RECONCILIATION OF RETURNS**

For the purpose of accurate returns to the Department, Employers reconciliation of the End of Year Documents must be carried out to cover the two respective deductions and any shortcoming rectified well in advance of submission of the documents.

## **PART VIII**

### **MISCELLANEOUS**

#### **1. COMPLETION OF FORMS**

All information, written on P.A.Y.E. documents should be in a permanent manner, i.e. pencil should not be used.

#### **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 year procedure and submit all documents as instructed in Part VI within thirty (30) days from the date of cessation.

# APPENDIXES



# KENYA REVENUE AUTHORITY

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## APPENDIX 1A

### KENYA REVENUE AUTHORITY DOMESTIC TAXES DEPARTMENT TAX DEDUCTION CARD YEAR 2009

Employers Name.....

Employer's PIN

Employee's Main Name.....

Employee's Other Names.....

Employee's PIN

MONTH	Basic Salary	Benefits – Non-Cash	Value of Quarters	Total Gross Pay	Defined Contribution Retirement Scheme			Owner-Occupied Interest	Retirement Contribution & Owner Occupied Interest	Chargeable Pay	Tax Charged	Personal Relief	Insurance Relief	PAYE Tax (J-K)
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.			Kshs.		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	A	B	C	D	E			F	G	H	J	K		L
					E1 30% of A	E2 Actual	E3 Fixed	Amount of Interest	The lowest of E added to F			1162	600	
												Total Kshs. 1762		
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
September	30000	15000	20000	65000	9000	3000	20000		3000	62000	13693		1762	11931
October	30000	15000	20000	65000	9000	3000	20000		3000	62000	13693		1762	11931
November	30000	15000	20000	65000	9000	3000	20000		3000	62000	13693		1762	11931
December	30000	15000	20000	65000	9000	3000	20000		3000	62000	13693		1762	11931
<b>TOTALS</b>	360000	180000	240000	780000	108000	36000	240000		36000	744000	164316		21144	143172

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

To be completed by Employer at end of year  
**TOTAL CHARGEABLE PAY (COL. H) Kshs.**

- (b) Attach (i) Photostat copy of interest certificate and statement of account from the Financial Institution.
- (ii) The DECLARATION duly signed by the employee.

**IMPORTANT**

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**

32 \_\_\_\_\_

**L R NO. OF OWNER OCCUPIED PROPERTY:.....**

**DATE OF OCCUPATION OF HOUSE:.....**



# APPENDIX 1B

## INFORMATION REQUIRED FROM EMPLOYER AT END OF YEAR

- (1) Date employee commenced if during year.....  
Name and address of old employer.....
- (2) Date left if during Year.....  
Name and address of new employer.....
- (3) Where housing is provided, state monthly rent Charged .....
- (4) 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		X	=	
ELECTRICITY		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 1<sup>st</sup> January, 2005.

#### 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 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 (e <sup>1</sup> ), (e <sup>2</sup> ), (e <sup>3</sup> ).  |
| Column e <sup>1</sup> | - | Enter 30 per cent (30%) of pensionable monthly pay per Column (D).   |
| Column e <sup>2</sup> | - | Enter actual amount of contribution made by the employee.  |
| Column e <sup>3</sup> | - | Enter the fixed monthly limit which is Kshs. 20,000/= per month.   |
| COLUMN G              | - | Enter the lesser of Column (e <sup>1</sup> ), (e <sup>2</sup> ), (e <sup>3</sup> ).  |
| 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.

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**APPENDIX 2A**
**KENYA REVENUE AUTHORITY  
DOMESTIC TAXES DEPARTMENT  
TAX DEDUCTION CARD YEAR 2009**

Employers Name.....

Employer's PIN

Employee's Main Name.....

Employee's Other Names.....

Employee's PIN

MONTH	Basic Salary	Benefits Non Cash	Value of Quarters	Total Gross Pay	Defined Contribution Retirement Scheme			Owner-Occupied Interest	Retirement Contribution & Owner Occupied Interest	Chargeable Pay	Tax Charged	Personal Relief	Insurance Relief	PAYE Tax (J-K)
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.			Kshs.		Kshs.	Kshs.	Kshs. 1162	Kshs. -	Kshs.
	A	B	C	D	E			F	G	H	J	K		L
					E1 30% of A	E2 Actual	E3 Fixed	Amount of Interest	The lowest of E added to F			Total Kshs. 1162		
January	52000			52000	15600	5200	20000	12500	17700	34300	5613		1162	4451
February	52000			52000	15600	5200	20000	12500	17700	34300	5613		1162	4451
March	52000			52000	15600	5200	20000	12500	17700	34300	5613		1162	4451
April	52000			52000	15600	5200	20000	12500	17700	34300	5613		1162	4451
May	52000			52000	15600	5200	20000	12500	17700	34300	5613		1162	4451
June	52000			52000	15600	5200	20000	12500	17700	34300	5613		1162	4451
July	66000			66000	19800	6600	20000	12500	19100	46900	9165		1162	8003
August	66000			66000	19800	6600	20000	12500	19100	46900	9165		1162	8003
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
<b>Totals</b>	708000			708000	212400	70800	240000	150000	220800	487200	88668		13944	74724

To be completed by Employer at end of year

**TOTAL TAX (COLL.) Kshs. 74,724**
**TOTAL CHARGEABLE PAY (COL. H) Kshs. 487,200**
**IMPORTANT**

- 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.
- (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

b) Attach

- Photostat copy of interest certificate and statement of account from the Financial Institution.
- The DECLARATION duly signed by the employee.

**NAMES OF FINANCIAL INSTITUTION ADVANCING MORTGAGE LOAN**  
HOUSING FINANCE COMPANY OF KENYA

**L R NO. OF OWNER OCCUPIED PROPERTY: 208/119 NAIROBI WEST**
**DATE OF OCCUPATION OF HOUSE: 15<sup>TH</sup> 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 a resident individual is Kshs. 1,162/= per month with effect from 1<sup>st</sup> January, 2005.

#### 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 ENTRIES ON P9 CARD:

- |                       |   |   |
|-----------------------|---|---|
| COLUMN A              | - | Enter Basic salary plus all cash allowances.  |
| COLUMN B              | - | Enter Benefits (if applicable) calculated on the reverse side of P9.  |
| COLUMN C              | - | Enter Housing Benefit where applicable.   |
| COLUMN D              | - | Enter total Gross pay of column A + Column B + Column C (if applicable).  |
| COLUMN E              | - | Enter defined contribution/benefits calculation per column (e <sup>1</sup> ), (e <sup>2</sup> ), (e <sup>3</sup> ). |
| Column e <sup>1</sup> | - | Enter 30 per cent (30%) of pensionable monthly pay per Column (D).  |
| Column e <sup>2</sup> | - | Enter actual amount of contribution made by the employee.   |
| Column e <sup>3</sup> | - | 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 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 columns (H) and (L) in the space provided.

**KENYA REVENUE AUTHORITY  
DOMESTIC TAXES DEPARTMENT  
TAX DEDUCTION CARD YEAR 2009.....**

**APPENDIX 3A**

Employers Name.....

Employer's PIN

Employee's Main Name.....

Employee's Other Names.....

Employee's PIN

MONTH	Basic Pay	Benefit s Non Cash	Value of Quarters	Total Gross Pay A +B+C	Defined Contribution Retirement Scheme			Savings Plan	Retirement Contribution & Savings Plan	Chargeable Pay	Tax Charged	Monthly Relief	Insurance Relief	P.A.Y.E Tax
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.			Kshs.		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
	A	B	C	D	E			F	G	H	J	K		L
					E1 30% of A	E2 Actual Cont.	E3 Legal Limit	Amount Deposited	The lowest of E added to F			Total Kshs. 1162		
Jan	30000	18000	7200	55200	9000	3000	20000	4000	7000	48200	9553		1162	8391
Feb	40000	18000	38000	96000	12000	4000	20000	4000	8000	88000	21493		1162	20331
March	50000	18000	38000	106000	15000	5000	20000	4000	9000	97000	24193		1162	23031
April	50000	18000	38000	106000	15000	5000	20000	4000	9000	97000	24193		1162	23031
May	50000	18000	38000	106000	15000	5000	20000	4000	9000	97000	24193		1162	23031
June	63000	18000	38000	119000	18900	6300	20000	4000	10300	108700	27703		1162	26541
July	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993		1162	33831
Aug	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993		1162	33831
Sept	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993		1162	33831
Oct	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993		1162	33831
Nov	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993		1162	33831
Dec	90000	18000	38000	146000	27000	9000	20000	4000	13000	133000	34993		1162	33831
<b>TOTALS</b>	823000	216000	425200	1464200	246,900	82300	240000	48000	130300	1333900	341286		13944	327342

To be completed by Employer at end of year

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

1. Use P9A (HOSP)

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

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

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

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

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

5. **P. 9A (HOSP)**

**TOTAL TAX (COLL) Kshs.327,342**

IMPORTANT

**NAME OF APPROVED INSTITUTION .....**

**REGISTRATION NUMBER OF APPROVED INSTITUTION.....**

**DATE OF REGISTRATION.....**

## APPENDIX 3B

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

#### MONTHLY PERSONAL RELIEF:

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

#### BENEFITS:

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

#### VALUATION 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 ( <b>"HOW PAYE IS WORKED"</b> )). |
| COLUMN D              | - | Enter total Gross Pay of Column A + Column B + Column C.  |
| COLUMN E              | - | Enter defined contribution/defined benefit calculation per columns (e <sup>1</sup> ), (e <sup>2</sup> ), (e <sup>3</sup> ).   |
| Column e <sup>1</sup> | - | Enter 30 per cent (30%) of pensionable monthly pay per Column (D).  |
| Column e <sup>2</sup> | - | Enter actual amount of contribution made by the employee.   |
| Column e <sup>3</sup> | - | 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 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 columns (H) and (L) in the spaces provided.



ISO 9001:2008 CERTIFIED

**KENYA REVENUE AUTHORITY  
DOMESTIC TAXES DEPARTMENT  
TAX DEDUCTION CARD YEAR 2009**

**APPENDIX 4**

Employers Name.....

Employer's PIN

Employee's Main Name.....

Employee's Other Names.....

Employee's PIN

MONTH	Basic Pay	Benefits Non Cash	Value of Quarters	Total Gross Pay A +B+C	Defined Contribution/ Benefit Calculation			Defined Con. /Ben.	Chargeable Pay (D-F)	Tax Charged	Monthly Relief	Insurance Relief	P.A.Y.E Tax
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.			Kshs.		Kshs.	Kshs.	Kshs.	Kshs.
	A	B	C	D	E			F	G	H	J 1162		K
					E1 30% of A	E2 Actual Cont.	E3 Legal Limit	Amount Deposited	The lowest of E added to F		Total Kshs. 1162		
January	17770	10000		27770	5331	630	20000	630	27140	3932		1162	2770
February	17770	10000		27770	5331	630	20000	630	27140	3932		1162	2770
March	17770	10000		27770	5331	630	20000	630	27140	3932		1162	2770
April	17770	10000		27770	5331	630	20000	630	27140	3932		1162	2770
May	17770	10000		27770	5331	630	20000	630	27140	3932		1162	2770
June	21437	10000		31437	6431	956	20000	956	30481	4658		1162	3496
July	21437	10000		31437	6431	956	20000	956	30481	4658		1162	3496
August	21437	10000		31437	6431	956	20000	956	30481	4658		1162	3496
September	21437	10000		31437	6431	956	20000	956	30481	4658		1162	3496
October	83795	15000	30000	128795	25138	998	20000	998	127797	33432		1162	32270
November	83795	15000	30000	128795	25138	998	20000	998	127797	33432		1162	32270
December	83795	15000	30000	128795	25138	998	20000	998	127797	33432		1162	32270
<b>TOTALS</b>	425983	135000	90000	650983	127793	9968	240000	9968	641015	138588		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 4A

**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.9B)	Kshs. 17,770*

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

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

### TABLE 2

#### TAX FREE REMUNERATION

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

(1) Monthly cash income before pension deductions	Kshs.18,000	Kshs.50,000
(2) Deductible pension contributions	Kshs. 956	Kshs. 998
(3) Monthly cash income after pension deductions (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.9B)	Kshs.21,437**	Kshs.83,795**

\* ***Fair market value***

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

\*\*\* ***See months of October-December – (APPENDIX 4)***

**TABLE 1****(TAX FREE REMUNERATION)****TAX TABLE FOR MONTHLY INCOME YEAR 2009**

<b>Taxable Income Range (monthly) (a)</b>	<b>Tax on Taxable Income (b)</b>	<b>Marginal Tax Rate (c)</b>	<b>Factor Without Housing (d)</b>	<b>Factor With Housing (e)</b>
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

**TABLE 2****(TAX FREE REMUNERATION)****TAX TABLE FOR ANNUAL INCOME YEAR – 2009**

<b>Taxable Income Range (Annually) (a)</b>	<b>Tax on Taxable Income (b)</b>	<b>Marginal Tax Rate (c)</b>	<b>Factor Without Housing (d)</b>	<b>Factor With Housing (e)</b>
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 5

**P.10**
**EMPLOYER'S PIN**

--	--	--	--	--	--	--	--	--	--	--

**P.A.Y.E – EMPLOYER'S CERTIFICATE**
**YEAR** \_\_\_\_\_

**To Senior Assistant Commissioner.....**

We/I forward herewith.....Tax Deduction Cards (P9A/P9B) showing the total tax deducted (as listed on P.10A) amounting to Kshs.....

This total tax has been paid as follows:-

MONTH	PAYE TAX (KSHS.)	AUDIT TAX, INTEREST/PENALTY (KSHS.)	FRINGE BENEFIT TAX (KSHS.)	DATE PAID (PER RECEIVING BANK STAMP)
JANUARY				
FEBRUARY				
MARCH				
APRIL				
MAY				
JUNE				
JULY				
AUGUST				
SEPTEMBER				
OCTOBER				
NOVEMBER				
DECEMBER				
<b>TOTAL TAX KSHS.</b>				

**NOTE:-**

- (1) Attach Photostat copies of **ALL the Pay-In Credit Slips (P11s)** for the year
- (2) Complete this certificate in triplicate and send the top two copies with the enclosures to your Income Tax Office **not later than 28<sup>TH</sup> FEBRUARY.**
- (3) Provide Statistical information required by Central Bureau of Statistics. (See overleaf)

We/I certify that the particulars entered above are correct.

**NAME OF EMPLOYER.....**
**ADDRESS.....**
**SIGNATURE.....**
**DATE.....**

# THE CENTRAL BUREAU OF STATISTICS

*Please provide the statistical information indicated below detailing the number of employees by Gender within each Income Bracket.*

*The numbers should include both employees who are liable to Income Tax and those who are not liable to Income Tax.*

## NUMBER OF EMPLOYEES IN EACH INCOME BRACKET.

INCOME BRACKET (KSHS. PER ANNUM)	UNDER 115,220	115,220 TO 224,640	224,640 TO 334,080	334,080 TO 443,520	443,520 TO 552,960	552,960 AND ABOVE	TOTAL
MALE EMPLOYEES							
FEMALE EMPLOYEES							
TOTAL							

***SIGNED EMPLOYER.....***

***DATE.....***

### OFFICIAL USE.

**INCOME TAX REFERENCE:.....**

**ECONOMIC SECTOR:.....**

**STATISTICAL CODING:.....**

**P.10.**



P10B  
FRINGE BENEFIT TAX RETURN FOR YEAR \_\_\_\_\_

DOMESTIC TAXES DEPARTMENT

APPENDIX 5B

EMPLOYER'S PIN

--	--	--	--	--	--	--	--	--	--

EMPLOYER'S NAME.....

EMPLOYEE'S NAME	OPENING LOAN BALANCE AT 1 <sup>ST</sup> JANUARY  KSHS.	ADDITIONAL LOAN  KSHS.	DATE LOAN ADVANCED	EMPLOYER'S INTEREST RATE  %	LOAN BALANCE AT 31 <sup>ST</sup> DEC.  KSHS.	TAXABLE FRINGE BENEFIT VALUE FOR YEAR  KSHS.	FRINGE BENEFIT TAX PAID  KSHS.	
<b>TOTALS</b>								

Note to employer:

- 1) FRINGE BENEFIT IS CHARGEABLE TO TAX AT CORPORATION RATE OF TAX
- 2) SUBMIT TWO COPIES OF THIS FORM TOGETHER WITH PAYE END OF YEAR RETURN



P10C

EMPLOYER'S PIN

--	--	--	--	--	--	--	--	--	--

**PAYE – EMPLOYER'S CERTIFICATE**

(GOVERNMENT MINISTRIES AND NATIONAL ASSEMBLY)

YEAR.....

**To Senior Assistant Commissioner**

.....

We/I forward herewith.....Tax Deduction Cards (P9A/P9B) showing the total tax deducted (as listed on P10A) amounting to Kshs.....

This total tax has been paid as follows:-

MONTH	P.A.Y.E TAX KSHS.	PENSION FUND CONTRIBUTIONS	DATE PAID (PER RECEIVING BANK STAMP)
JANUARY			
FEBRUARY			
MARCH			
APRIL			
MAY			
JUNE			
JULY			
AUGUST			
SEPTEMBER			
OCTOBER			
NOVEMBER			
DECEMBER			
<b>TOTAL TAX/PENALTIES</b>			

**NOTE**

- (1) Attach Photostat copies of **ALL** the Pay-In Credit Slips (P11s) for the year
- (2) Complete the form in triplicate sending the top two copies with the enclosures to your Domestic Taxes Office **not later than 28<sup>TH</sup> FEBRUARY.**
- (3) Provide statistical information required by Central Bureau of Statistics (See Appendix 5).

We/I certify that the particulars entered above are correct.

**NAME OF EMPLOYER**.....

**ADDRESS**.....

**SIGNATURE**.....

**DATE**.....

## DOMESTIC TAXES DEPARTMENT

## APPENDIX 6

P.AY.E./FRINGE BENEFIT TAX CREDIT SLIP

SERIAL NO .....

Pay Roll Month .....

EMPLOYER'S PIN

--	--	--	--	--	--	--	--	--	--

Employer's Name .....To.....Bank

Please pay the Central Bank of Kenya, for the credit of the "Paymaster-General", PAYE account No. 05-010-0056

Kshs..... (In words) Kenya Shillings .....

## NATURE OF PAYMENT

1.....

2.....

	NOTES/COINS	1. PAYE TAX KSHS	2. PAYE INTEREST/PENALTY KSHS.	3. OTHERS (WCPS. ETC) KSHS
Bank Stamp & Tellers Initials	Shs. 1000/=			
	Shs. 500/=			
	Shs. 200/=			
	Shs. 100/=			
	Shs.50/=			
	Shs. 20/=			
	Shs. 10/=			
	Shs. 5/=			
	OTHER COINS			
CHEQUE NO.				
	<b>TOTAL CREDITS</b>			

To Officer in Charge.....Domestic Taxes Office

**(A) PAYING-IN CERTIFICATE**

We/I certify that the above represent:-

- The full amount of tax which was required to be deducted for the month shown above and includes any amounts brought forward from the previous months for which the cumulative total was less than 100/=.

**(B) NIL CERTIFICATE**

We/I certify that for the month shown above the amount of PAYE/FRINGE BENEFIT TAX required to be deducted was Nil, or less than shs. 100=- which sum is being carried forward.

**EMPLOYER'S NAME**.....

**POSTAL ADDRESS**.....**TELEPHONE**.....

**NAME OF PAYING OFFICER**.....

**SIGNATURE**.....**DATE**.....

**NOTE TO ACCEPTING BANK**
**Original** – Domestic Taxes Department

**Duplicate** – Remitting Bank

**TriPLICATE** – To remain in book as employer's receipt

**ANALYSIS OF TOTAL CREDITS AND LIABLE EMPLOYEES**

To be completed by Employer

TOTAL PAYE/INT/PEN./FRINGE BENEFIT TAX PAID Kshs.....	PAYE AUDIT TAX Kshs.....
TOTAL W C P S                      Kshs.....	TOTAL CREDIT Kshs.....

Liable employees are employees from whose monthly emoluments the total tax paid is deducted.

**DOMESTIC TAXES DEPARTMENT**

APPENDIX 6A

**CARBONIZED  
DO NOT USE**

**PAYE CREDIT SLIP PAYING-IN BOOK**

**INSTRUCTIONS TO EMPLOYERS AND PAYING OFFICERS**

**GENERAL**

1. The total tax deducted must be paid into the employer's Bank promptly on or before the 9<sup>th</sup> day of the month following the pay-roll month provided it amounts to at least Kshs. 100. One lodgement should be made each month.
2. If the total amount deducted is less than Kshs. 100, it must be carried forward to later months until the total is Kshs. 100 or more and then paid into the Bank.
3. Each month the employer must either make a pay-in to the Bank or send a "Nil" certificate to the Tax Office promptly, on or before the 9<sup>th</sup> day of the month following. A waiver of the monthly "Nil" Certificates, where appropriate, can be secured from the Domestic Taxes Office.

**INSTRUCTIONS FOR PAYING-IN**

4. The employer unless paying-in cash, should draw a cheque in favour of: The Paymaster General, Kenya, and pay it into the Branch of the Bank on which it is drawn using this credit slip paying-in book.
5. The credits slips are printed in triplicate. All three copies should be completed by the employer. The Bank will then stamp on all three copies remove the first two copies and leave the third copy in the book as the employer's receipt/acknowledgement.
6. It is essential that the employer fully completes the slip including his Income Tax PIN and that he signs the certificate. The Domestic Taxes Office to be entered on slips is the one in the area of the employer's paying point.

**INSTRUCTIONS FOR "NIL" CERTIFICATES**

7. In any month when, no tax has been deducted or the total tax is less than Kshs. 100, the "NIL" Certificate on the original copy of the slips in this book must be completed by the employer and sent to the Domestic Taxes Office in the area where the paying point is located. This must be done promptly, before the 10<sup>th</sup> day of the month following the pay-roll month.
8. It is essential that the employer fully completes the slip including his Income Tax PIN and he signs the Certificate. The Tax Office to be entered on the slip is the one in the area of the paying point.
9. **All P.A.Y.E Tax cheques must be drawn in favour of " The Paymaster General"**

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

## APPENDIX 7

### **COMMISSIONER'S PRESCRIBED BENEFIT RATES 2009**

<b>A</b>	<b>SERVICES</b>	<b>Monthly Rates</b>	<b>Annual Rates.</b>
		(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>B</b>	<b>AGRICULTURAL EMPLOYEES: REDUCED RATES OF BENEFITS</b>		
(i)	Water	200	2400
(ii)	Electricity	900	10800
<b>Note: The above rates (A + B) are effective from 12<sup>th</sup> June 2003.</b>			
<b>C</b>	<b>MOTOR CARS</b>		
(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 1**  
**INDIVIDUAL RATES OF TAX/RELIEFS: YEARS 2007 – 2009**

2007			2008			2009		
MONTHLY TAXABLE PAY KSHS.	ANNUAL TAXABLE PAY KSHS.	RATES OF TAX % IN EACH KSHS. %	MONTHLY TAXABLE PAY KSHS.	ANNUAL TAXABLE PAY KSHS.	RATES OF TAX % IN EACH KSHS. %	MONTHLY TAXABLE PAY KSHS.	ANNUAL TAXABLE PAY KSHS.	RATE OF TAX IN % PER KSHS.
1-10164	1-121968	10%	1-10164	1-121968	10%	1-10164	1-121968	10%
9576	114912	15%	9576	114912	15%	9576	114912	15%
9576	114912	20%	9576	114912	20%	9576	114912	20%
9576	114912	25%	9576	114912	25%	9576	114912	25%
EXCESS OVER KSHS. 38,892	EXCESS OVER KSHS.466,704	30%	EXCESS OVER KSHS. 38,892	EXCESS OVER KSHS.466,704	30%	EXCESS OVER KSHS. 38,892	EXCESS OVER KSHS.466,704	30%
<b>PERSONAL RELIEF: SHS. 1162 PER MONTH (SHS. 13,944 PER ANNUM)</b>			<b>PERSONAL RELIEF: SHS. 1162 PER MONTH (SHS. 13,944 PER ANNUM)</b>			<b>PERSONAL RELIEF: SHS. 1162 PER MONTH (SHS. 13,944 PER ANNUM)</b>		

## APPENDIX 7A

**TABLE 2**  
**INDIVIDUAL RATES OF TAX/RELIEF'S: YEARS 2004 – 2006**

2004			2005			2006		
MONTHLY TAXABLE PAY KSHS	ANNUAL TAXABLE PAY KSHS	RATES OF TAX IN % PER KSHS	MONTHLY 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
1-9680	1-116160	10%	1-10164	1-121968	10%	1-10164	1-121968	10%
9120	109440	15%	9576	114912	15%	9576	114912	15%
9120	109440	20%	9576	114912	20%	9576	114912	20%
9120	109440	25%	9576	114912	25%	9576	114912	25%
EXCESS OVER KSHS. 37,040	EXCESS OVER KSHS. 444,480	30%	EXCESS OVER KSHS.38,892	EXCESS OVER KSHS.466, 704	30%	EXCESS OVER KSHS. 38,892	EXCESS OVER KSHS.466,704	30%
<b>PERSONAL RELIEF: SHS. 1056 PER MONTH (SHS. 12,672 PER ANNUM)</b>			<b>PERSONAL RELIEF: SHS. 1162 PER MONTH (SHS. 13,944 PER ANNUM)</b>			<b>PERSONAL RELIEF: SHS. 1162 PER MONTH (SHS. 13,944 PER ANNUM)</b>		

APPENDIX 7B

**LOW INTEREST RATES BENEFIT**  
**COMMISSIONER'S PRESCRIBED RATES OF INTEREST:**  
**YEARS 2005 – 2008**

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**YEAR 2005**

<b><u>PERIOD</u></b>	<b><u>RATE</u></b>
<b><u>APPLICABLE</u></b>	<b><u>APPLICABLE</u></b>

January – June	4%
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July – December	8%
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**YEAR 2007**

January – June	6%
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July – December	6%
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**YEAR 2006**

<b><u>PERIOD</u></b>	<b><u>RATE</u></b>
<b><u>APPLICABLE</u></b>	<b><u>APPLICABLE</u></b>

January – June	8%
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July – December	7%
-----------------	----

**YEAR 2008**

January – June	7%
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July – December	7%
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## APPENDIX 7C

## FRINGE BENEFIT TAX

### MARKET INTEREST RATES: YEARS 2004 - 2008

The Commissioner of Domestic Taxes published the following Market Interest Rates to be applied for the years 2004 to 2008.

YEAR 2004		YEAR 2005		YEAR 2006		YEAR 2007		YEAR 2008	
<u>MONTH</u>	<u>RATE</u>	<u>MONTH</u>	<u>RATE</u>	<u>MONTH</u>	<u>RATE</u>	<u>MONTH</u>	<u>RATE</u>	<u>MONTH</u>	<u>RATE</u>
January	1%	January	6%	January	8%	January	6%	January	7%
February	1%	February	6%	February	8%	February	6%	February	7%
March	1%	March	6%	March	8%	March	6%	March	7%
April	1.5%	April	8%	April	8%	April	6%	April	7%
May	1.5%	May	8%	May	8%	may	6%	May	7%
June	1.5%	June	8%	June	8%	June	6%	June	7%
July	2%	July	8%	July	7%	July	7%	July	8%
August	2%	August	8%	August	7%	August	7%	August	8%
September	2%	September	8%	September	7%	September	7%	September	8%
October	2%	October	8%	October	6%	October	7%	October	8%
November	2%	November	8%	November	6%	November	7%	November	8%
December	2%	December	8%	December	6%	December	7%	December	8%



**MONTHLY AVERAGE EXCHANGE RATES**

<b>2007 January</b>	<b>USA DOLLAR</b>	<b>STERLING POUND</b>	<b>EURO</b>	<b>SOUTH AFRICA RAND</b>	<b>UGANDA SHILLING</b>	<b>TANZANIA SHILLING</b>
	69.8845	136.9060	90.8715	9.7377	25.9724	18.5527
February	69.6159	136.3990	91.0426	9.7144	25.4362	18.4935
March	69.2929	134.9076	91.7689	9.4306	25.2586	18.1305
April	68.5771	136.3997	92.6814	9.6406	25.2048	18.4120
May	67.1913	133.3056	90.8184	9.5802	25.3254	18.9024
June	66.5748	132.2503	89.3322	9.2879	24.9735	18.9700
July	67.0677	136.4095	91.9866	9.6178	24.2402	18.8244
August	66.9462	134.5699	91.1509	9.2579	25.8016	19.0934
September	67.0243	135.1893	93.0580	9.4160	26.2442	18.7880
October	66.8455	136.5208	95.0868	9.8658	26.1267	17.5962
November	65.4899	135.7872	96.1257	9.7873	26.1061	17.5334
December	63.3028	119.8870	86.0883	8.6601	27.1124	18.3580

**MONTHLY AVERAGE EXCHANGE RATES**

<b>2008</b>	<b>USA</b>	<b>STERLING</b>	<b>EURO</b>	<b>SOUTH AFRICA</b>	<b>UGANDA</b>	<b>TANZANIA</b>
<b>January</b>	<b>DOLLAR</b>	<b>POUND</b>		<b>RAND</b>	<b>SHILLING</b>	<b>SHILLING</b>
	68.0812	134.0133	100.1572	9.7690	25.1639	17.1040
February	70.6243	138.4610	103.9629	9.2403	24.2403	16.4575
March	64.9242	130.0783	100.7930	8.1443	25.8687	18.1875
April	62.2558	123.3716	98.0829	7.9919	27.0545	19.5687
May	61.8993	121.6207	96.3164	8.1361	26.6534	19.4893
June	63.7828	125.2659	99.2078	8.0234	25.1398	25.1398
July	66.6760	132.6171	105.4045	8.7513	24.3629	18.6412
August	67.6790	127.9736	101.2389	8.8298	23.9993	17.6490
September	71.4085	128.5762	102.9577	8.8845	23.0654	16.2695
October	76.4995	129.3817	101.6728	7.8310	23.8944	16.1158
November						
December						

**ANNUAL AVERAGE EXCHANGE RATES**

	<b>2006</b>	<b>2007</b>	<b>2008</b>
UNITED STATES DOLLAR	72.1006	67.3117	
STERLING POUND	132.8202	134.0443	
EURO	90.5747	91.6676	
SOUTH AFRICA RAND	10.7021	9.4997	
UGANDA SHILLING	25.4373	25.6502	
TANZANIA SHILLING	17.3828	18.4712	

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

<b>P7</b>	<b>EMPLOYERS GUIDE TO PAYE (INCLUDES MONTHLY TAX TABLES)</b>
<b>P9A</b>	<b>TAX DEDUCTION CARD (BENEFITS/OWNER OCCUPIED INTEREST DEDUCTION/NORMAL CASES)</b>
<b>P9A (HOSP)</b>	<b>TAX DEDUCTION CARDS (HOME OWNERSHIP SAVINGS PLAN)</b>
<b>P9B</b>	<b>TAX DEDUCTION CARD (TAX FREE REMUNERATION)</b>
<b>P10</b>	<b>EMPLOYERS COVERING CERTIFICATE FOR P.A.Y.E END OF YEAR RETURNS</b>
<b>P10A</b>	<b>SUPPORTING LIST TO END OF YEAR CERTIFICATE (P10)</b>
<b>P10B</b>	<b>FRINGE BENEFIT TAX RETURN</b>
<b>P10C</b>	<b>EMPLOYER'S CERTIFICATE (WCPS CASES ONLY)</b>
<b>P11</b>	<b>CREDIT SLIP PAY IN BOOK</b>

*Tulipe Ushuru Tijiitegemee*

