

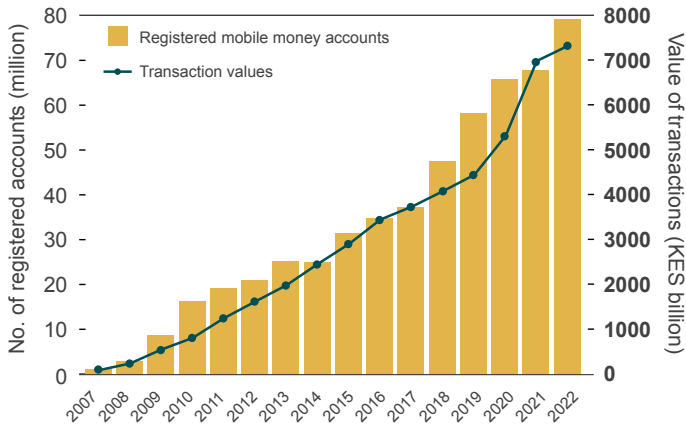
# Taxation of digital financial services in Kenya



February 2024

## 1. Who uses digital financial services, and how much?

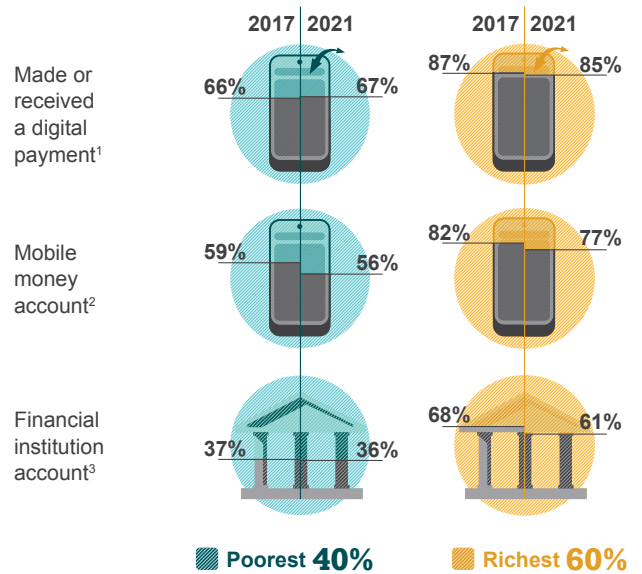
Digital financial services (DFS) are growing in Kenya



The value of mobile money transactions and the number of registered mobile money customers has increased every year from 2007 up to 2022

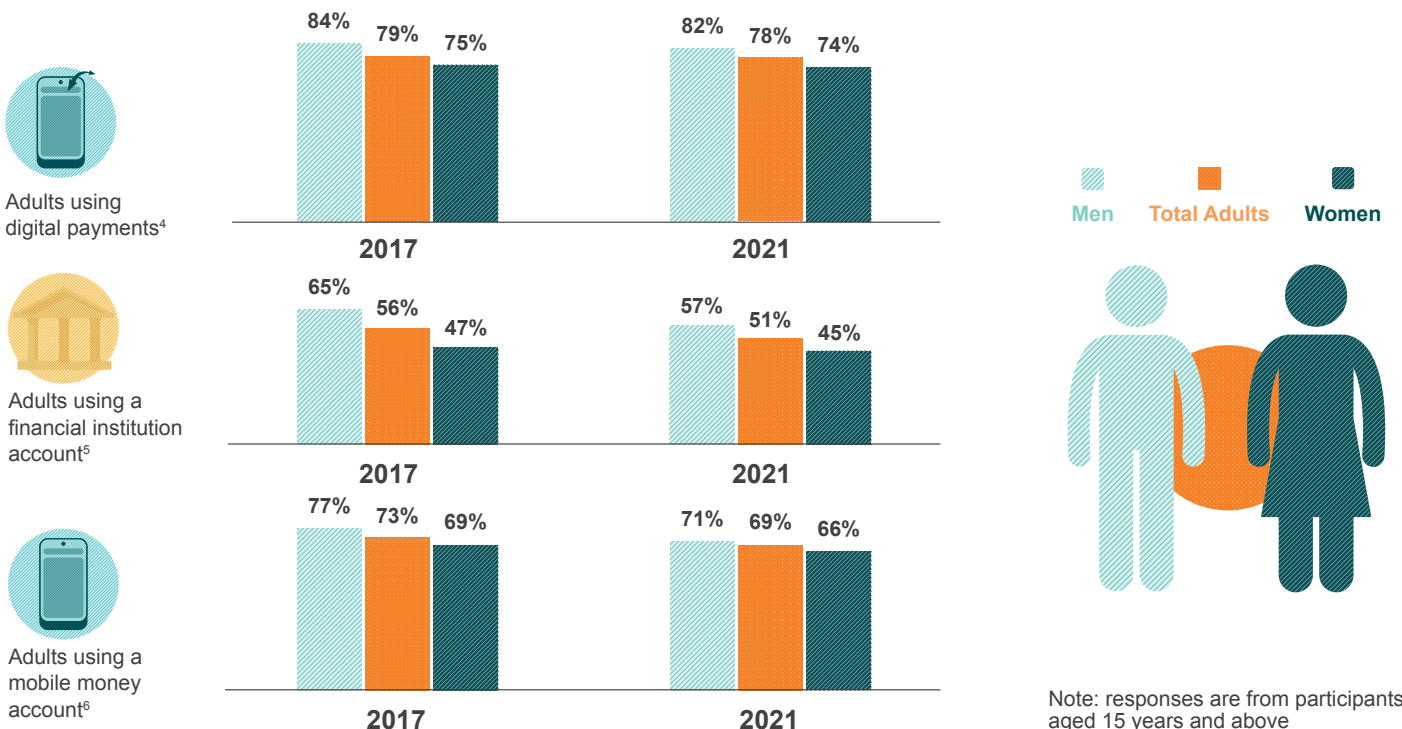
Source: Central Bank of Kenya, Kenya Financial Sector Stability Report (2023)

Kenya has more than a double-digit gap in mobile money use and account ownership between the richest 60% and the poorest 40% of the population



Source: 1, 2, 3. World Bank, The Global Findex Database (2021)

Digital payment and account use varies by user group, but the gender gap has narrowed



Note: responses are from participants aged 15 years and above

Source: 4, 5, 6. World Bank, The Global Findex Database (2021)

## 2. How are digital financial services taxed?

Kenya equalized the excise duty rates on **money transfers by traditional and digital financial service providers** as of 1 July 2023



**Rate**

**15%**

**Tax**

Excise duty on money transfer fees by mobile phone service providers or payment service providers licensed under the National Payment System Act, 2011<sup>1</sup>



**15%**

Excise duty on fees charged for money transfer services by banks, money transfer agencies, and other financial service providers<sup>2</sup>



**Exempt**

No value-added tax (VAT) applied to financial or mobile money services

**Sixteen percent of the excise duty** paid in respect of money transfer by cellular phone service providers will be used to support social development including universal health care<sup>3</sup>

**10% excise duty** introduced on:



**money transfer services** by mobile phone service providers<sup>4</sup>



**Excise duty on transfer services** by mobile phone service providers **increased from 10% to 12%**<sup>6</sup>



**Excise duty on transfer services** by mobile phone service providers **increased from 12% to 15%**<sup>8</sup>

**10% excise duty** introduced on:



**money transfer services** by banks, money transfer agencies and other financial service providers<sup>5</sup>



**Excise duty** on previously mentioned money transfer services **increased from 10% to 20%**<sup>7</sup>



**Excise duty on money transfer services** by banks, money transfer agencies and other financial service providers **decreased from 20% to 15%**<sup>9</sup>

January 2013

July 2018

1 July 2023

- <sup>1</sup> [Excise Duty Act No. 23 of 2015](#), First Schedule, Part II, Sec. 3, with rate amended by [Finance Act 2023, No. 4](#), Sec. 47(b)(iii).
- <sup>2</sup> [Excise Duty Act No. 23 of 2015](#), First Schedule, Part II, Sec. 2, with rate amended by [Finance Act 2023, No. 4](#), Sec. 47(b)(ii).
- <sup>3</sup> [Excise Duty Act No. 23 of 2015](#), Sec. 36(5).
- <sup>4</sup> [Customs and Excise Act](#), Fifth Schedule, Part III, introduced by the Finance Act 2012 No. 57, Fifth Schedule, Part I, Sec. 4.
- <sup>5</sup> [Customs and Excise Act](#), Fifth Schedule, Part III, introduced by the Finance Act 2012 No. 57, Fifth Schedule, Part I, Sec. 4.
- <sup>6</sup> [Finance Act No. 10 of 2018](#), Sec. 32 (b)(iii).
- <sup>7</sup> [Finance Act No. 10 of 2018](#), Sec. 32 (b)(ii).
- <sup>8</sup> [Finance Act 2023, No. 4](#), Sec. 47(b)(iii).
- <sup>9</sup> [Finance Act 2023, No. 4](#), Sec. 47(b)(ii).

**Disclaimer:** This factsheet collects publicly available information on digital financial services and how they are taxed from a variety of sources. Its purpose is to inform but not to assess or comment on the efficacy of digital payments or taxes. The information expressed in this factsheet is compiled from sources believed to be reliable as of 31 January 2024. This factsheet supersedes any previous versions. If you are aware of any changes or inaccuracies, please notify us at [icddigitax@ids.ac.uk](mailto:icddigitax@ids.ac.uk).

ICTD's **DIGITAX Research Programme** aims to inform and guide governments and key stakeholders at the interface of digital financial services, digital IDs and tax. For up-to-date information on evolving tax regulations, visit ICTD's **DFS TaxMap**, a dynamic web portal in English and French tracking the diverse approaches to DFS taxation.

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