



KENYA'S EXPERIENCE IN IMPLEMENTING DIGITAL SERVICE TAX

SOUTH-SOUTH COOPERATION IN INTERNATIONAL TAX MATTERS

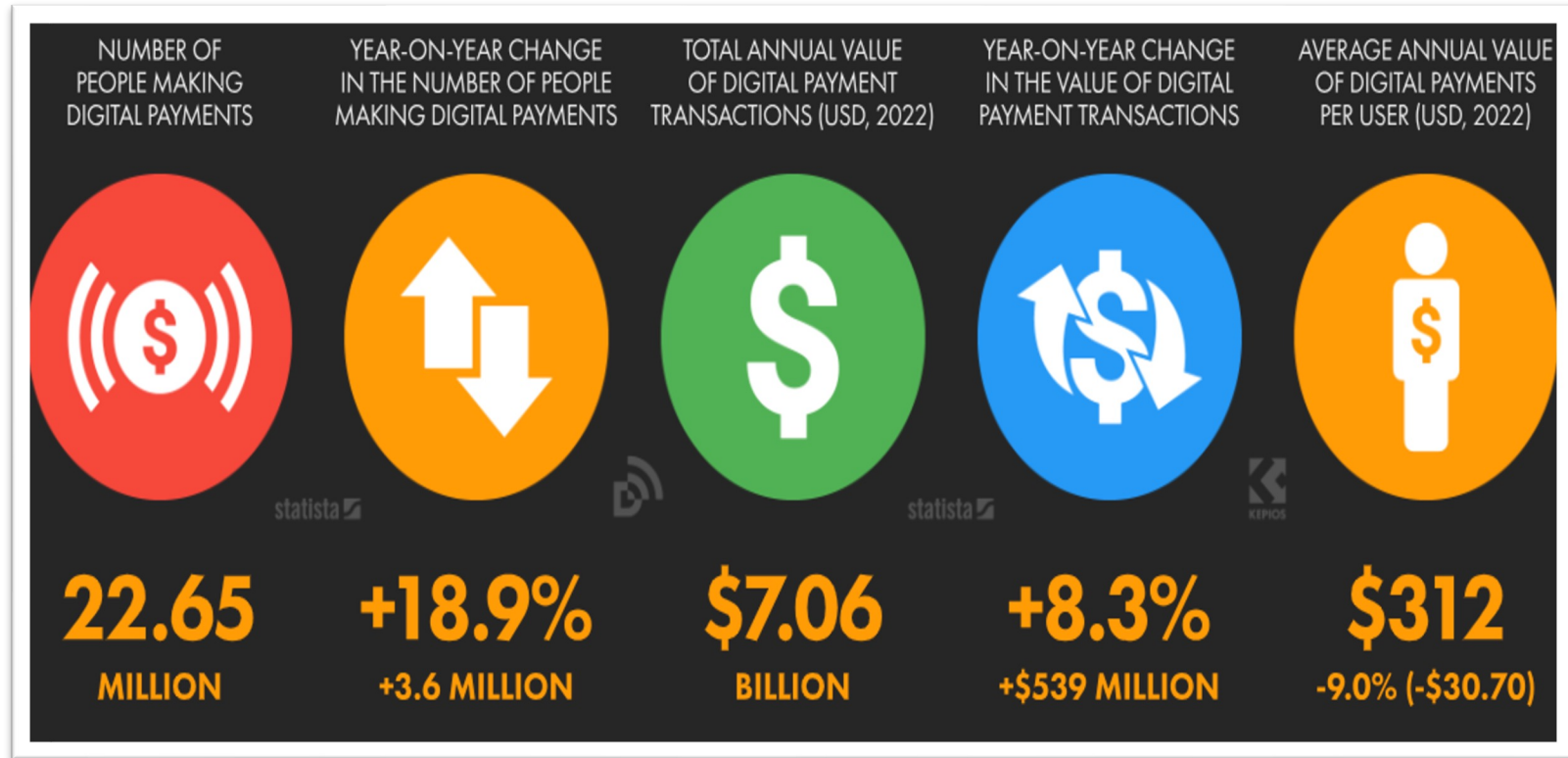
GENEVA, SWITZERLAND

NOVEMBER 27TH – NOVEMBER 28TH 2023

Navigating Kenya's Digital Economy: Implementation Success Factors and Tax Insights

Estimates of the digital economy in Kenya

In 2021, the digital economy was valued at Ksh 810 billion (US\$ 7.2 billion) and is projected to grow to Ksh 1.4 trillion (US\$ 12.4 billion) by 2025.



HISTORY AND LEGISLATION ON DST

PARENT LAW

Income Tax Act
Tax Procedures Act 2015
Regulations

2019

Income Tax (Digital Service
Tax) Regulations, 2020
Gazetted on 11th December
2020 with little lead time.

2020

FINANCE ACT 2020

Digital Service Tax effective **1st
January 2021,**

- ✓ The rate is 1.5 % of the gross transaction.
- ✓ Is a final tax

2020

Legal changes

Amendments in 2021 to apply
to non-residents only

2021

USER LOCATION

A **User** shall be deemed **to be located in Kenya** if any of the following parameters are met: -

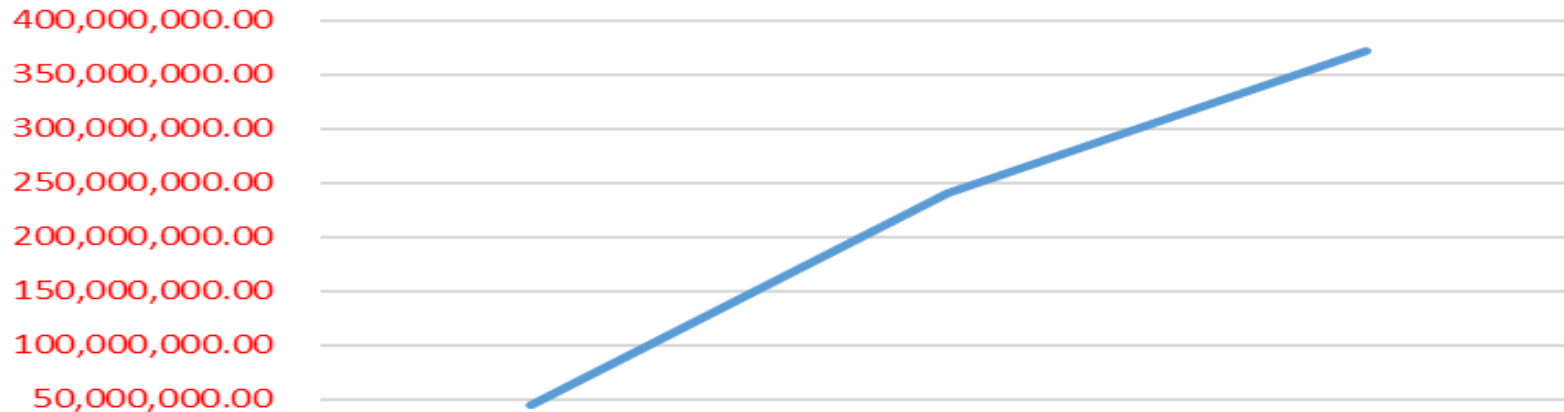
- Payment for the digital services is made using a credit or debit facility provided by any financial institution or company in Kenya.
- The user accesses the digital interface from a terminal (computer, tablet or mobile phone) located in Kenya.
- The supplies or digital services are acquired using an internet protocol address registered in Kenya or an international mobile phone country code assigned to Kenya.
- The user has a business, residential, or billing address in Kenya.

EXEMPTIONS

1. Income taxed under withholding tax regime and the telecommunication services (*of transmitting messages by cable, radio, optical fibre, television broadcasting, Very Small Aperture Terminal (VSAT), internet, satellite or by any other similar method of communication*).

Revenue Impact

DST & VAT Revenue Collections



What was the key successful to implementation?

- Dedicated team
- Supportive management and
- System implementation

- *Modelling DST to yield more, take care of low-value providers etc*
- *Concentrate on VAT on VAT on cross-border digital trade.*
- *Multinational Corporation Taxation*
- *Pillars I- Amount A Discussions*
- *Taxation of digital content monetization/ digital platforms for resident persons*
- *Digital asset taxation*

Thank
you

