PKF

Tax Alert

Kenya's Minimum Top-up Tax Regulations

Kenya's Minimum Top-up Tax Regulations are now in force

1. A new compliance framework for multinational groups operating in Kenya

The Cabinet Secretary for the National Treasury gazetted the Income Tax (Minimum Top-Up Tax) Regulations, 2026 via Legal Notice No. 189 of 2026 to guide the implementation and administration of Minimum Top-Up Tax (MTT). The Regulations operationalise Section 12G of the Income Tax Act and apply to years of income commencing on or after 01 January 2025.

MTT is part of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Pillar Two framework, which seeks to ensure that large multinational enterprise (MNE) groups pay a minimum effective tax rate of 15% in each jurisdiction in which they operate. For groups with Kenyan operations, the publication of the Regulations is an important development. It provides greater clarity on how the Kenyan MTT regime is to be administered and the compliance obligations that may arise.

2. Who falls within the scope of MTT?

Section 12G of the Income Tax Act brings within the scope of MTT a Kenyan resident person or a permanent establishment in Kenya that is a member of an MNE group with consolidated annual revenue of at least EUR 750 million in at least two of the four financial years immediately preceding the relevant year of income.

The threshold is assessed by reference to the consolidated financial statements of the group's ultimate parent entity. It is therefore possible for a Kenyan subsidiary or permanent establishment to be within scope even where its own revenue is substantially below the threshold.

The Income Tax Act also identifies certain excluded entities, including specified public entities, qualifying charitable organisations, pension funds, certain investment vehicles, sovereign wealth funds and intergovernmental or supranational organisations. The exclusions are subject to statutory conditions and should not be assumed to apply solely by reference to an entity's name or general status.



3. What does the 15% minimum tax mean in practice?

MTT is not determined simply by comparing the Kenyan corporation tax rate with 15%. The Kenyan MTT regime uses a separate calculation based on financial accounting income, adjustments prescribed by the Regulations and taxes recognised as covered taxes. It also takes into account substance-based income exclusion (SBIE), which recognises specified returns on eligible employee costs and tangible assets.

As a result, a group that pays corporation tax in Kenya at the prevailing statutory rate should not automatically conclude that it has no MTT exposure. Differences between accounting income and taxable income, the treatment of deferred tax and the composition of the group's Kenyan operations may affect the outcome.

The Regulations also address matters such as related-party transactions, intra-group financing, permanent establishments, international shipping income and corporate restructurings. These rules may require information that is not ordinarily assembled for a routine Kenyan corporation tax return.

Where an MNE group has two or more covered persons operating in Kenya, the Regulations provide for the MTT to be determined on a combined basis across the Kenyan entities. The resulting MTT liability is then allocated among the covered persons in proportion to their respective net income after taking into account the substance-based income exclusion. An alternative allocation may be adopted with the written approval of the Commissioner.

Accordingly, MNE groups with multiple Kenyan entities should assess their MTT exposure collectively rather than undertaking isolated assessments for each Kenyan entity. This is particularly important in coordinating the group's financial information and determining the overall MTT position in Kenya.

4. Key compliance obligations and timelines

KRA issued a Public Notice on 09 November 2026 reminding covered persons of their obligations under section 12G of the Income Tax Act and Legal Notice No. 189 of 2026. The legal notice specifically directs covered persons to notify the Commissioner of their MTT status no later than **30 November 2026**.

This is an immediate action point for groups that may fall within scope.
The notification should provide the Commissioner with the group name, the country of the Ultimate Parent Entity, details of Kenyan constituent entities and their PINs, should be sent to **mttsupport@kra.go.ke.**



Compliance requirement	Deadline	Remarks assuming a 31 December 2026 year-end
Initial notification to the Commissioner	Within 60 days from publication of the Regulations	KRA has extended the deadline to **30 November 2026** via its Public Notice dated 09 November 2026
Notification where a person subsequently becomes a covered person	Before the end of the relevant year of income	Before 31 December of the relevant year
Notification upon ceasing to be a covered person	Within six months from the first day of the relevant year of income	Jun 30, 2027
Payment of MTT	By the end of the 4th month following the end of the year of income	Apr 30, 2027
Filing of MTT return	By the last day of the 6th month following the end of the year of income	Jun 30, 2027
First GLoBE Information Return (GIR)	Within 18 months after the end of the first year of income subject to Section 12G	Jun 30, 2028
Subsequent GIRs	Within 15 months after the end of each subsequent year of income	31 March 2029 (for the 2027 year of income)

N*B: The above illustrations assume a 31 December year-end and that 2026 is the first year of income subject to MTT, where applicable. Given that the Regulations apply from 1 January 2025, groups should separately assess whether they have any outstanding obligations relating to the 2025 year of income, including the applicable transitional payment and reporting requirements*.

The Globe Information Return is a group-level information return containing information about the MNE group, its structure and the calculation of its effective tax rate and top-up tax. Subject to the applicable conditions, filing may be undertaken centrally by the ultimate parent entity or a designated filing entity in an eligible jurisdiction.

KRA's notice also directs covered persons to adhere to the Multilateral Competent Authority Agreement on the Exchange of GloBE Information. Groups should therefore consider the information-exchange framework alongside their local notification, return and payment obligations.

MTT payable in Kenya is remitted in Kenyan shillings. Groups should also ensure that supporting records are maintained to substantiate their calculations, elections and compliance position. The Tax Procedures Act, 2015 provides the broader framework for record keeping and applicable sanctions

5. Can the compliance burden be reduced?

The Regulations recognise the transitional Country-by-Country Reporting (CbCR) safe harbour, which may allow qualifying MNE groups to use information already available in their CbCR and financial statements instead of undertaking the full GloBE calculation for a jurisdiction.

The transitional framework includes simplified tests, such as the simplified effective tax rate test and the routine profits test. The availability of a particular test, including the de minimis test, should be assessed against the Kenyan Regulations and applicable OECD requirements. The safe harbour is not an automatic exemption and depends on the relevant conditions and elections being satisfied. The transitional safe harbour is available for the prescribed transition period, which the Regulations link to years of income commencing before 1 July 2029. Groups should assess eligibility early rather than assume that the relief will apply.

6. What should affected groups be doing now?

The immediate priority is to establish whether the Kenyan operations are within scope and to ensure that the group is organised to meet the new requirements. In particular, groups should:

- Assess the EUR 750 million group revenue threshold for the relevant preceding years and identify all Kenyan entities and permanent establishments that may be covered persons;
- Review whether any statutory exclusion may apply and retain evidence supporting that conclusion;
- If the group is within scope, coordinate and submit the notification to mttsupport@kra.go.ke by **30 November 2026**, including the group name, country of the Ultimate Parent Entity and the Kenyan constituent entities' PINs;
- Engage finance, tax and group reporting teams to determine whether the information needed for the MTT assessment is available;
- Consider whether the group may qualify for a transitional safe harbour and confirm the conditions for making the relevant election;
- Agree with the ultimate parent or designated filing entity how the GIR will be prepared and filed and at the same time confirm whether central filing conditions are met;and
- Establish appropriate processes for retaining the information and supporting records required under the Regulations.

7. PKF's perspective

The publication of the MTT Regulations moves Kenya's Pillar Two framework from legislation into a more detailed compliance phase. For affected groups, the challenge is likely to extend beyond calculating any potential top-up tax. It will also involve coordinating financial and tax information across jurisdictions, understanding the interaction between local tax positions and the GloBE rules and meeting the Kenyan notification and reporting requirements.

With the initial notification deadline of **30 November 2026** fast approaching, MNE groups with a Kenyan presence should prioritise assessing their exposure and establishing the necessary compliance arrangements.

PKF can assist multinational groups in assessing their MTT exposure, reviewing the implications of the Regulations and undertaking the necessary MTT computations and compliance reviews

For a detailed discussion on MTT review and computation, please contact the Regional Tax Partner, Michael Mburugu, via **mmburugu@ke.pkfea.com** or Kevin Chege(Associate Director -Tax & Transfer Pricing) via **kchege@ke.pkfea.com** or Kenneth Kahora (Manager- Tax & Transfer Pricing) via **kkahora@ke.pkfea.com**

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