Total Tax Contribution of the Kenya Banking Sector - 2024

Kenya Bankers Association

October 2025

Table of contents

Glossary

Term	Definition	Term	Definition
Total tax collected	Taxes that the company administers on behalf of government and collects from other taxpayers as an agent of government	**Corporate tax (CT)**	The tax levied on the profits of a company
Participating Bank	32 banks and 4 microfinance institutions that participated in this study	**Banking Sector**	KRA defines the banking sector to include Listed banks (44); SACCOs (16); Microfinance (7); Investment/Custodian banks (38); Others (47)-i.e., Bureaus, International Bank Corporations with Local Offices
Total tax borne	A company's own contribution in taxes	**Irrecoverable VAT**	VAT that a taxpayer incurs but is not offset against output VAT
Total Tax Contribution	The sum of taxes borne, and taxes collected	**Excise duty**	A tax paid on certain categories income earned by financial service providers
Value distributed	Payment made by a corporate entity to its key stakeholders-government, employees, and shareholders	**Withholding taxes**	An income tax withheld on certain kinds of qualifying payments such as management fees, royalties, and interest
Net assets	Total assets minus total liabilities	**Withholding tax borne**	Withholding tax incurred by the company making payments of the above qualifying payments that it does not pass on the supplier
KRA	The Kenya Revenue Authority	**Pay as You Earn (PAYE)**	A tax withheld from the employment income of the company's employees
KBA	The Kenya Bankers Association	**VAT on imported Services**	This is the VAT accounted for on imported services
People Taxes Collected	PAYE, employee Affordable Housing Levy, NHIF, and employee NSSF	**Withholding VAT**	The tax withheld from VAT charged to the company
Total government receipts	This is a summation of all taxes collected by the government as reported by KRA, excluding agency collections	**People Taxes Borne**	Fringe Benefits Tax, Employer Affordable Housing Levy, and Employer NSSF

Foreword

KES
194.81bn

TTC representing 8.09% of total government receipts

We are pleased to present the sixth edition of the Total Tax Contribution (TTC) study of the Kenya Banking Sector, covering the financial year ended 31 December 2024. This report reveals that the 36 participating banks made a TTC of KES 194.81 billion, comprising KES 100.12 billion in taxes borne and KES 94.69 billion in taxes collected.

This year's contribution represents 8.09% of all government tax receipts[1]. While this is a slight decline from 8.78% in 2023 and 8.93% in 2022, it is still a significant share given that it is derived from only 36 taxpayers in an economy with 8,046,029 tax filers[2]. Once again, this highlights the extent to which government revenue mobilisation remains reliant on a relatively small pool of highly compliant and regulated entities such as those in the banking sector.

Kenya's macroeconomic environment in 2024 was characterized by moderate growth. According to the Kenya National Bureau of Statistics (KNBS), real GDP growth slowed to 4.7%, down from 5.7% in 2023[3]. This deceleration was driven by weaker performance in sectors such as construction and mining, which recorded contractions, even as agriculture, finance, real estate, and transport supported growth. The prevailing environment of elevated interest rates, inflationary pressures, and moderated credit uptake also shaped both sector performance and tax outcomes.

It is against this background that the 2024 TTC rose modestly, by 2.39% compared to 2023. This was driven largely by a 7.92% increase in taxes collected, including Withholding Tax and people-related taxes, even as total taxes borne declined by 2.34%. Corporate Tax, the single largest component at 35.63% of TTC, decreased by 4.98%, largely due to higher allocations by banks to tax-exempt government securities and an increase in bad debts written off, leading to a reduction of Corporate Tax paid.

A particularly notable feature of 2024 was the growing contribution of people-related taxes. 2024 saw the full-year implementation of the Affordable Housing Levy (AHL), the revised National Social Security Fund (NSSF)

[1]Government's financial year runs from July to June while banks' run from January to December. Both periods run for 12 months and therefore the statistics are considered comparable.

[2]https://www.kra.go.ke/news-center/press-release/2122-kra-records-11-1-growth-in-revenue-collection#:~:text=As%20at%2030th%20June,against%20a%20target%20of%207%2C187%2C932.

[3]https://www.knbs.or.ke/reports/2024-economic-survey/

113%

growth in banking sector AHL collections

rates, and the introduction of the Social Health Insurance Fund (SHIF). All these elements contributed to an increase in both people taxes borne and people taxes collected. For example, AHL collections for the banking sector[4] more than doubled, rising by 113% to KES 3.45 billion.

There is growing emphasis on corporate citizens to disclose their broader societal contributions beyond shareholder returns. Taxes play a key role in this, funding essential public goods and services. By publishing this report, banks are not only demonstrating transparency and accountability, but also reinforcing their commitment to ESG, where tax transparency is increasingly recognised as a key component of the Governance pillar.

We thank the 36 banks that participated in this year's study, as well as the Kenya Revenue Authority (KRA) and the Kenya Bankers Association (KBA), for their continued collaboration.

We trust that the insights shared in this report will contribute meaningfully to ongoing discussions on tax policy, compliance, and the sustainability of revenue mobilisation in Kenya.

Raimond Molenje
Chief Executive Officer
Kenya Bankers Association

Alice Muriithi
Partner, PwC Kenya–Tax Services
alice.k.muriithi@pwc.com

[4]KRA defines the banking sector to include Listed banks (44); SACCOs (16); Microfinance (7); Investment/Custodian banks (38); Others (47)-i.e., Bureaus, International Bank Corporations with Local Offices

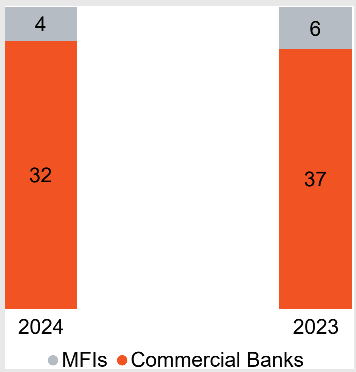
01 Summary of 2024 Total Tax Contribution

Survey participation

36 participants provided data for the study, a decline from 43 in 2023. However, the 36 respondents in 2024 represents 98.31% of the sector's market share from a net assets perspective.

32 of the study participants are commercial banks while 4 are microfinance institutions.

98.31%
Sector participation



The Total Tax Contribution (TTC) of study participants increased by KES 4.55 billion in 2024 representing a 2.39% year-on-year increase

- The TTC of KES 194.81 billion consisted of:
  - KES 100.12 billion of taxes borne; and
  - KES 94.69 billion of taxes collected.
- The TTC of KES 194.81 billion represents 8.09% of total government receipts in the government financial year ended June 2024.
- 36 banks contributed 1.79% of Kenya's 13.8%[5] tax-to-GDP ratio representing 12.97% of tax to GDP ratio. This reveals a heavy reliance on a few highly compliant taxpayers.

8.09%
of total government receipts

TTC increased by KES 4.55 billion (2.39%) in 2024.

Total tax contribution of
KES 194.81b

KES 100.12b
of taxes borne

KES 94.69b
of taxes collected

[5]https://ikesra.kra.go.ke/items/6c51cfa4-59b4-45e6-9b2f-f0a2672fcf09

8.27%

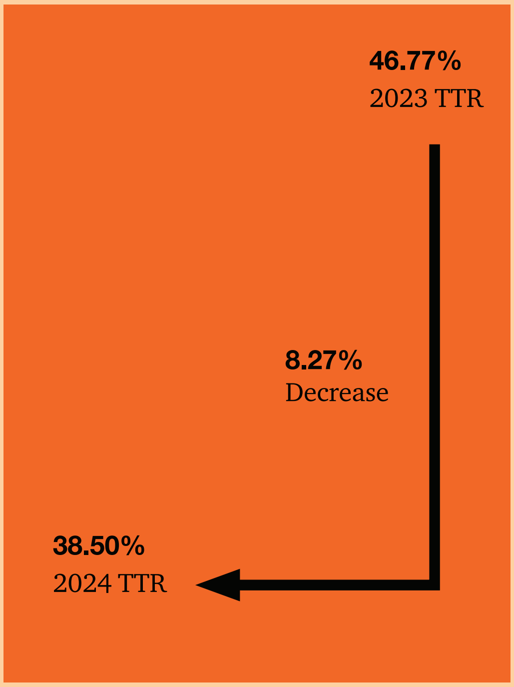
decrease in TTR lowered the rate to 38.50%, from 46,77% in 2023

The Total Tax Rate (TTR) for the study participants decreased in 2024

The TTR is computed by dividing the taxes borne by study participants by their Profit Before Tax (PBT). The taxes borne mainly comprises Corporate Tax and Irrecoverable VAT.

TTR decreased by 8.27 percentage points to 38.50% compared to 46.77% in 2023. This means that for every KES 100 of profit by the participating banks, KES 38.50 was paid to the government as taxes.

The 8.27% decline was driven primarily by increase in PBT accompanied by a CIT decline of 4.98%.

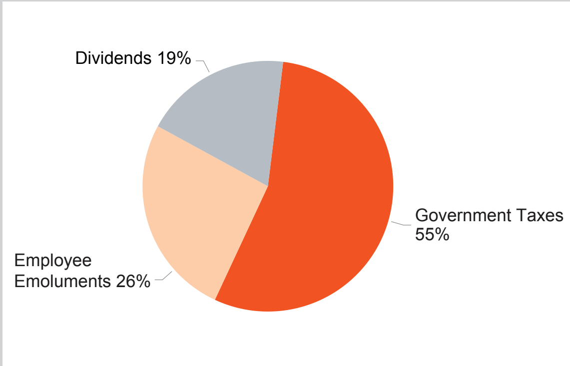


Value distributed by the study participants

Every corporate organisation has three key stakeholders that it needs to distribute value to – the government in form of taxes, employees in forms of salaries and shareholders in form of dividends.

- The government received the largest proportion of the value distribution by the participating banks in 2024 at 54.95 %, consisting of both taxes paid and taxes collected.
- Employees received the second largest portion of value distributed at 25.62%.
- The remainder of the share was taken by shareholders at 19.44%.

Between 2023 and 2024, the total value distributed by participating banks increased by 6.59%, rising from KES 332.63 billion to KES 354.54 billion.



However, the proportional value among the three shareholders shifted: the government's share decreased from 57.17% to 54.95%, employees' share dropped from 27.80% to 25.62%, while shareholders saw an increase in dividends from 15.03% to 19.44%.

Complexity and costs of tax compliance

As part of the study, we sought to understand the level of complexity of the tax compliance environment and accompanying costs. Key highlights include:

- In 2024, banks employed over three full-time staff for tax compliance, costing about KES 13.5 million per bank annually, with additional hires and consultants adding further costs.
- Filing tax returns was rated moderately difficult (3.27/5), with the five-day deadline for Withholding Tax cited as an additional administrative burden.
- The survey participants recommended reverting to monthly Withholding Tax filings and payments to reduce costs and administrative strain.
- There is a clear call for more automation such as the pre-filled returns as part of the VAT compliance, and clearer tax guidelines on aspects such as digital compliance tools such as iTax and eTIMS.

02 Purpose and outline of the study

Purpose of this study

The purpose of the study is to quantify the contribution made by the Kenyan Banking Sector and the trends in Total Tax Contribution of the sector over time. The study shows that the contribution by banks is much broader than Corporate Tax, with People Taxes, Withholding Tax, irrecoverable Value Added Tax (irrecoverable VAT) and Excise Duty, all adding to the total. The data for this report which covers the financial year ended 31 December 2024 was collected between May 2025 and July 2025.

Methodology

The study uses the TTC methodology designed by PwC. This framework provides a standardized methodology for companies to measure and quantify all the taxes and contributions that they pay. The framework has been used by firms across the PwC network to quantify the total tax contributions in markets, such as the UK, Germany, Tanzania and South Africa.

The TTC framework is straightforward in concept, not tax technical, cash-based and therefore relatively easy for stakeholders to understand. The framework makes a distinction between taxes borne by the company and taxes collected.

Taxes borne are the bank's own contribution in taxes that impact their results, e.g., Corporate Tax, irrecoverable VAT, VAT on imported services, withholding taxes borne and other taxes borne[6].

[6]Other taxes borne constitute capital gains, stamp duty borne, customs, advance tax, import duty, Railway Development Levy, and Import Declaration Fees etc.

36

banks participated in the 2024 study compared to 43 in 2023

Taxes collected are those that the bank administers on behalf of the government and collects from others, e.g., income tax deducted under PAYE, withholding VAT, withholding tax collected, Excise Duty collected, and other taxes collected[7].

The taxes collected have an administrative cost for the banks as banks have to collect and remit the taxes to the government and also face significant penalties if this collection and remittance is not done in accordance with the law.

The results of this study provide information which would not otherwise be available in the public domain as this is not information companies are required to disclose in their financial reports.

Where we refer to data published by the Kenyan Government, the KRA and other sources, this is clearly indicated.

Data received related to payments to the Kenyan public finances. No tax payments to foreign tax authorities were included. PwC has anonymised and aggregated this data to produce the study results. PwC has used the data as provided by KBA members and has not verified, validated, or audited the data and cannot give any undertakings as to the accuracy of the study results.

Participation in the study

This study covers 36 banks and microfinance institutions representing 98.31% of market share from a net asset[8] perspective in 2024.

References in the report to the term “participating banks” means the 36 banks and microfinance institutions that participated in the study while references to the “banking sector” refers to the commercial banks, microfinance institutions and other financial institutions as defined by KRA[9].

36 banks participated in the 2024 study while 43 banks participated in the 2023 study. The 2024 data set is comparable to the 2023 data set despite the decline, given that in both years, participants represented over 98% of the market share from a net asset perspective.
All tier-one banks who control approximately 75% of the market share participated in both studies.

[7]Other taxes collected constitute: Stamp duty on negotiable instruments.

[8]Net assets for a bank comprise cash balances, placements, government securities, net loans and advances, investments, and other assets, less total liabilities such as customer deposits, borrowings, and other financial obligations. These components reflect the bank’s financial strength and capacity to absorb shocks and lend.

[9]KRA defines the banking sector to include Listed banks (44); SACCOs (16); Microfinance (7); Investment/Custodian banks (38); Others (47)-i.e., Bureaus, International Bank Corporations with Local Offices

03 Total Tax Contribution of Study Participants

This section highlights the tax profile of the 36 participating banks from a taxes borne and taxes collected perspective.

In 2024, the 36 participating banks reported taxes borne of KES 100.12 billion and taxes collected of KES 94.69 billion, making a TTC of KES 194.81 billion.

The banking sector's contribution to government receipts continues to be substantial. In 2024, the TTC of the participating banks accounted for 8.09% of all the taxes collected by the government[10]. This remains a significant contribution given that this contribution is made by 36 taxpayers against a background of approximately 8.04 million active taxpayers in the country[11].

Compared to 2023, total tax borne decreased slightly in 2024 from KES 102.52 billion in 2023 to KES 100.12 billion in 2024 representing a 2.34%. On the other hand, total tax collected increased by 7.92% from KES 87.74 billion in 2023 to KES 94.69 billion in 2024.

Figure 4 – below shows the study participants' contribution to total government receipts

Description	2023 (KES bn)	2024 (KES bn)	YoY Growth
Total Tax Borne	102.52	100.12	(2.34%)
Total Tax Collected	87.74	94.69	7.92%
Total Tax Contributed	**190.26**	**194.81**	**2.39%**
Total government receipts[12]	2,166[13]	2,407[14]	11.13%
% of participating banks TTC relative to total government receipts	8.78%	8.09%	(7.86%)

Kenya's tax revenue to GDP ratio in 2023/2024 was 13.8%[15]. Of the 13.8%, 1.79% was contributed by the 36 banks who participated in this study. This means that 12.97% of the tax to GDP is contributed by only 36 taxpayers. This points to continued reliance by government on only a few taxpayers operating in highly regulated and compliant sectors like the banking sector.

[10]Government's financial year runs from July to June while banks' run from January to December. Both periods run for 12 months and therefore the statistics are comparable.

[11]https://www.kra.go.ke/news-center/press-release/2122-kra-records-11-1-growth-in-revenue-collection

[12]The government year runs from July to June while that of banks runs from January to December. Both calendars cover a 12-month period

[13]https://kra.go.ke/images/publications/ANNUAL-REVENUE-PERFORMANCE-FY-2022-2023-1372023-Final-Version.pdf

[14]https://www.kra.go.ke/images/publications/ANNUAL-REVENUE-PERFORMANCE-FY-2023-2024.-080724.pdf

[15]https://ikesra.kra.go.ke/items/6c51cfa4-59b4-45e6-9b2f-f0a2672fcf09

15.3%

surge in Domestic VAT and a 9.7% rise in PAYE were the top drivers behind the upswing in government receipts

The participating banks' tax to GDP ratio remained steady at 1.79% in 2024 compared to 1.83% in 2023 while their contribution to total government receipts in Kenya declined by 7.86% percentage points in 2024 relative to 2023. This decline was mostly as a result of total government receipts growing at a faster rate of 11.13% compared to TTC which marginally grew by 2.39% in 2024 relative to 2023.

The accelerated growth in government receipts was mainly driven by Domestic VAT and PAYE, which increased by 15.3% and 9.7%, respectively[16].

Notably, the biggest driver of growth in government receipt was domestic VAT, which Banks do not significantly contribute to given that most of their earnings are VAT exempt. VAT receipts reached KES 314.157 billion, surpassing the target of KES 307.823 billion by KES 6.334 billion. This is likely indicative of the implementation of the electronic tax invoicing (eTIMS) and the automation of the VAT return which has expanded the tax base, enhanced visibility into informal sector transactions, and improved compliance and enforcement by providing verifiable tax invoice data[17].

The TTC profile of the participating banks[18] (as summarised below) shows that Corporate Tax made up 35.63% of the TTC in 2024 and is the most significant tax contribution banks make to government receipts. This is followed by People Taxes Collected[19] which represented 17.76% of the TTC. Withholding Tax Collected represented the third largest component of the TTC constituting 17.43%.

The government's reliance on Corporate Tax paid by the banking sector continues to reflect OECD's proposition that developing countries have a high proportion of Corporate Taxes as a percentage of total revenues compared to developed countries. According to the OECD Corporate Tax Statistics report, Corporation Tax revenues in Africa (30 jurisdictions) were 19.3% of overall tax receipts in 2020, demonstrating the importance of Corporate Tax revenues in developing economies.

Figure 5 – below shows the Corporate Tax revenues as a percentage of total tax revenues - 2020

Description	Africa	Asia and Pacific	Latin America	OECD
Corporate Tax revenues as a share of total tax revenues	19.3%	18.8%	15.6%	9.0%

Source: OECD Corporate Tax Statistics Report[20]

[16]https://www.kra.go.ke/images/publications/ANNUAL-REVENUE-PERFORMANCE-FY-2023-2024.-080724.pd3f

[17]https://www.mygov.go.ke/kra-reports-huge -increase-vat-revenue-due-etims-application?utm

[18]'Participating banks' means the 32 banks and 4 microfinance institutions that participated in the study

[19]People Taxes include PAYE, NSSF, NHIF and Fringe Benefits Tax and Affordable Housing Levy.

[20]https://incp.org.co/wp-content/uploads/2023/11/Corporate-Tax-Statistics-2023-OCDE.pdf

Three of the **top four** contributors of Total Tax Contribution relate to taxes collected as opposed to taxes borne. This highlights the critical role that the banking sector plays not only as a government tax collection agent, but also in generating economic activity that leads to collection of the taxes through aspects such as payment of salaries and engagement with suppliers. Further, the fact that the sector is highly formalised and regulated promotes tax compliance.

Figure 6 - The Total Tax Contribution profile for participating banks in 2024 relative to 2023

Description	2023		2024	
	Amount in KES (bn)	% Make-up	Amount in KES (bn)	% Make-up
Corporate Tax borne	73.05	38.39	**69.41**	35.63
People Taxes Collected	31.27	16.44	**34.59**	17.76
Withholding Tax Collected	29.28	15.39	**33.97**	17.43
Excise Duty Collected	23.81	12.51	**22.66**	11.63
Irrecoverable VAT Borne	15.08	7.93	**15.27**	7.84
Withholding Tax Borne	5.35	2.81	**5.97**	3.07
VAT on imported services borne	4.88	2.57	**4.15**	2.13
People Taxes Borne	2.71	1.43	**3.71**	1.91
Withholding VAT Collected	2.39	1.26	**2.51**	1.26
Withholding VAT Borne	1.45	0.76	**1.60**	0.82
Others Collected[21]	0.99	0.52	**0.95**	0.49
Total	**190.26**	**100.00**	**194.81**	**100.00**

[21]Others include other taxes collected (NEMA levies, stamp duty collected, and net VAT paid, and other taxes borne (capital gains, stamp duty borne, customs, import fees and levies, advance tax, and property taxes.

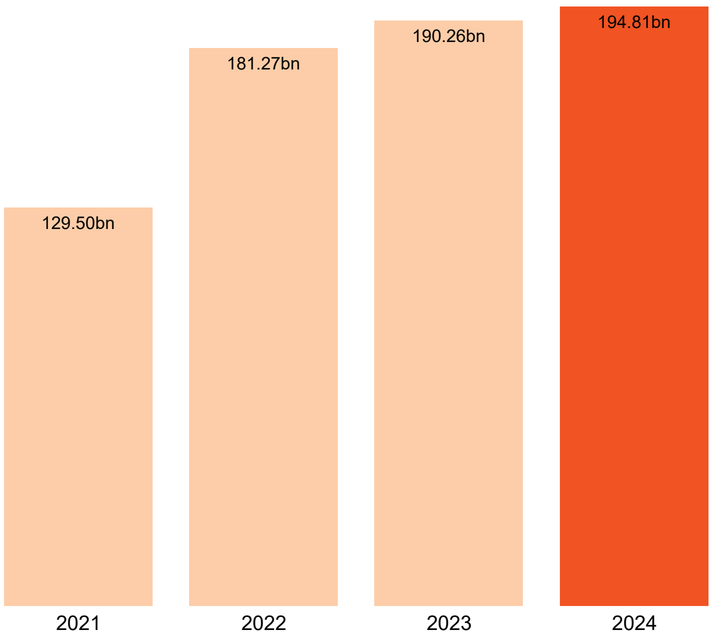
2.39%

growth in TTC to KES 194.81 billion in 2024, up from KES 190.26 billion in 2023, maintaining its upward trajectory

Total Tax Contribution of participating banks over the period 2021 to 2024

A summary of the Total Tax Contribution of study participants over the period 2021 to 2024 is presented below.

Figure 7 – Year on year Total Tax Contribution for the participating banks (2021 - 2024) (KES)



In 2021, the sector experienced a notable resurgence, with the TTC increasing by 23.59% compared to 2020. This growth was largely a reflection of the economic rebound following the reopening of the economy after the Covid-19 pandemic.

The recovery was evident in the substantial increases in Corporate Tax, Excise Duty collected, and withholding tax collected, all of which were buoyed by improved profitability and heightened economic activity as businesses and consumers resumed normal operations.

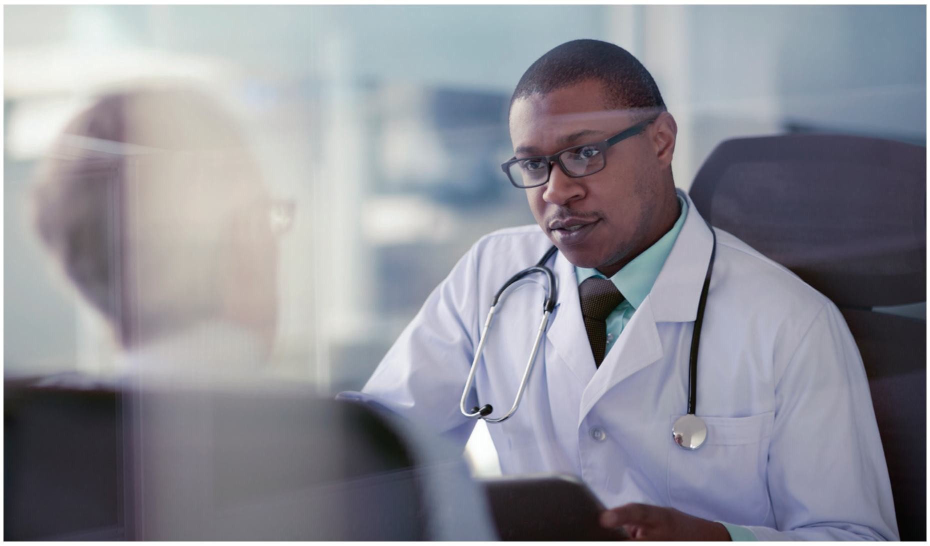
The momentum continued into 2022, which saw an even more pronounced 39.94% year-on-year growth in TTC, rising from KES 129.50 billion in 2021 to KES 181.27 billion. This exceptional growth was primarily driven by a 48.39% increase in Corporate Tax, itself a result of a remarkable 263.35% surge in the 2021 Balance of Tax (a form of Corporate Tax) paid in 2022. This was driven by a 85.17% increase in sector profitability in 2021 relative to 2020, as the profitability of the banking sector recovered post pandemic.

In 2023, the TTC maintained its upward trajectory, albeit at a more moderate pace, recording a 4.96% increase to reach KES 190.26 billion. The growth in 2023 was primarily fuelled by substantial increase in irrecoverable VAT, which rose by 82.19%, Withholding Tax borne, which increased by 80.50%, and People Taxes collected, which grew by 29.13%.

These increases have a direct co-relation to the level of expenses incurred by banks and were aligned 25.27% rise in the sector's operating expenses, which expanded from KES 316.68 billion in 2022 to KES 396.71 billion in 2023.

10.62%

increase in people taxes collected underscores the sector's role as a key employer of highly skilled labour



The year 2024 saw the TTC of the participating banks register a somewhat subdued increase of 2.39%, rising to KES 194.81 billion. The increase in 2024 was shaped by several key trends.

Firstly, there was a 36.96% rise in people taxes borne as a direct consequence of the full-year impact of increased statutory deductions. The revised National Social Security Fund (NSSF) rates and the introduction of the Social Health Insurance Fund (SHIF) both contributed to a higher direct tax burden on employers within the sector.

Secondly, people taxes collected also rose by 10.62%, reflecting the sector's status as a major employer of highly skilled labour. The full-year implementation of the Affordable Housing Levy (AHL) was particularly impactful, with collections from the banking sector surging by 113% from KES 1.62 billion in 2023 to KES 3.45 billion in 2024.

Specifically, AHL collections from participating banks grew by 31.22%, reaching KES 1.16 billion in 2024 compared to KES 884 million in 2023.

Additionally, SHIF collections from participating banks rose by 41.39%, increasing from KES 546 million in 2023 to KES 772 million in 2024.

Thirdly, Withholding Tax collected also experienced a robust growth, increasing from KES 29.28 billion in 2023 to KES 33.97 billion in 2024, a 16.00% growth supported by higher interest payments to depositors and other providers of debt capital as withholding tax is paid on accrued interest expense.

Lastly, 2024 witnessed 4.98% decline in Corporate Tax (CT). This was driven by several factors including a reduction in Balance of Tax (BOT) payments, an increase in bad-debt write-offs and a strategic shift towards tax exempt government securities, as detailed further in page 19 of this report.

Notably, there was an increase in infrastructure bonds held by the banking sector, which rose from KES 376 billion in 2022 to KES 457 billion in 2023. This is expected to have contributed to a rise in exempt income as interest on government-issued infrastructure bonds is tax exempt.

24%

growth in AHL collections from participating banks raised the total to KES 1.16 billion in 2024, up from KES 884 million in 2023

Figure 8 – Total Tax Contribution of participating banks between 2019 and 2024*

Description	Tax Borne/ Collected	2019	2020	2021	2022	2023	2024
Corporate Tax	Tax Borne	51.20	43.73	49.48	87.71	73.05	**69.41**
Irrecoverable VAT	Tax Borne	9.859	9.32	7.81	8.28	15.08	**15.27**
Withholding Tax Borne	Tax Borne	2.697	2.36	2.43	2.96	5.35	**5.97**
VAT on imported services	Tax Borne	1.859	1.85	3.11	2.98	4.88	**4.15**
Withholding VAT borne	Tax Borne	2.24	0.94	1.07	1.35	1.45	**1.60**
People Taxes Borne[22]	Tax Borne	-	-	-	0.49	2.71	**3.71**
PAYE[23]	Tax Collected	18.86	17.87	21.94	23	-	**-**
People Taxes Collected[24]	Tax Collected	-	-	-	24.22	31.27	**34.59**
Withholding Tax Collected	Tax Collected	16.52	17.34	22.99	26.56	29.28	**33.97**
Total Excise	Tax Collected	13.60	8.32	14.30	22.90	23.81	**22.66**
Withholding VAT collected	Tax Collected		0.90	2.90	3.64	2.39	**2.51**
Others	Tax Collected	**3.30**	**2.20**	**3.50**	**2.19**	**0.99**	**0.95**
Total Tax Contribution		**120.12**	**104.83**	**129.52**	**181.27**	**190.26**	**194.81**

*The above data is in KES (bn)

[22]The study did not track People Taxes Borne in the 2018 to 2021 study. People Taxes Borne include employer Affordable Housing Levy, employer NSSF, Fringe Benefits Tax not recovered from the employees.

[23]In 2023 and 2024 PAYE has not been tracked separately. It is included in the People Taxes Collected.

[24]The study did not track People Taxes Collected in the 2018 to 2022 study. People Taxes Collected include PAYE, NHIF, employee NSSF, employee Affordable Housing Levy and Fringe Benefit Tax recovered from employees by the banks.

04 Analysis of the Total Tax Contribution of the Participating Banks

Profile of taxes borne and taxes collected

This section discusses the tax profile of the 36 participating banks from a taxes borne and taxes collected perspective.

Overview of taxes borne

Taxes borne are those whose financial impact is directly borne by the taxpayer. They are a cost to the businesses as these taxes directly affect a taxpayer's profitability. In 2024, the participating banks bore taxes amounting to KES 100.12 billion, representing a 2.34% decline from the KES 102.52 billion recorded in 2023.

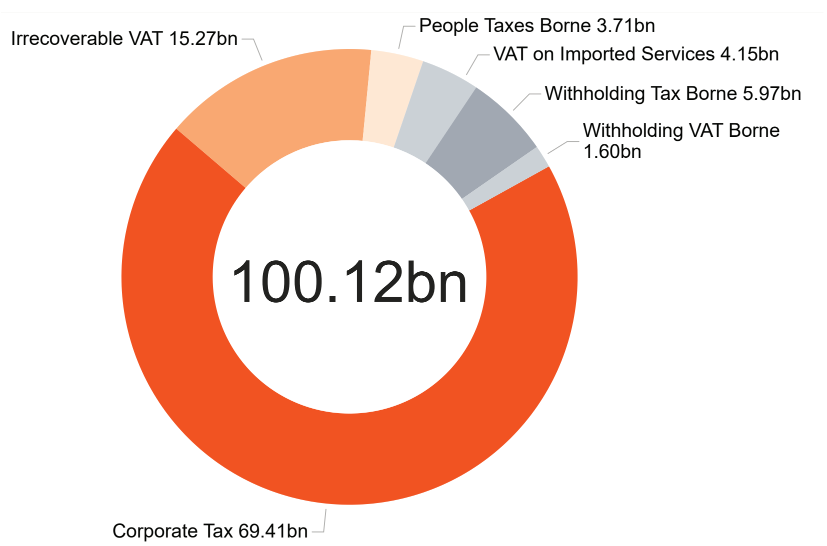
The overall decrease in taxes borne was primarily driven by a reduction in Corporate Tax, which remains the largest component of taxes borne. Corporate Tax declined by 4.98%, from KES 73.05 billion in 2023 to KES 69.41 billion in 2024. Please refer to page 19 for detailed analysis on the driver for the Corporate Tax reduction.

However, the effect of the decrease in Corporate Tax on the total taxes borne was partially offset by increases in other categories of tax borne. This is set out below:

- A 1.28% increase in irrecoverable VAT – from KES 15.08 billion in 2023 to KES 15.27 billion in 2024;
- An 11.68% increase in Withholding Tax borne – from KES 5.35 billion in 2023 to KES 5.97 billion in 2024;
- A 10.48% increase in withholding VAT borne – from KES 1.45 billion in 2023 to KES 1.60 billion in 2024; and
- A 36.96% increase in People Taxes Borne – from KES 2.71 billion in 2023 to KES 3.71 billion in 2024.

The above movements in taxes borne show that the growth is increasingly reliant on expenditure-based taxes such as people taxes, withholding taxes and VAT as opposed to taxes based on profits such as Corporate Tax.

Figure 9 – Taxes borne profile for Participating Banks (KES)



Overview taxes collected

Taxes collected are transactional taxes that the bank administers on behalf of the government. The taxes collected have an administrative and compliance cost for the bank and will invariably have an impact on the bank's operations.

Taxes collected represent an additional responsibility with accompanying compliance obligation and compliance costs for banks.

In 2024, the participating banks collected taxes amounting to KES 94.69 billion, representing a 7.91% increase from the KES 87.74 billion recorded in 2023.

The overall increase in taxes collected was primarily driven by significant growth in key tax categories, as set out below:

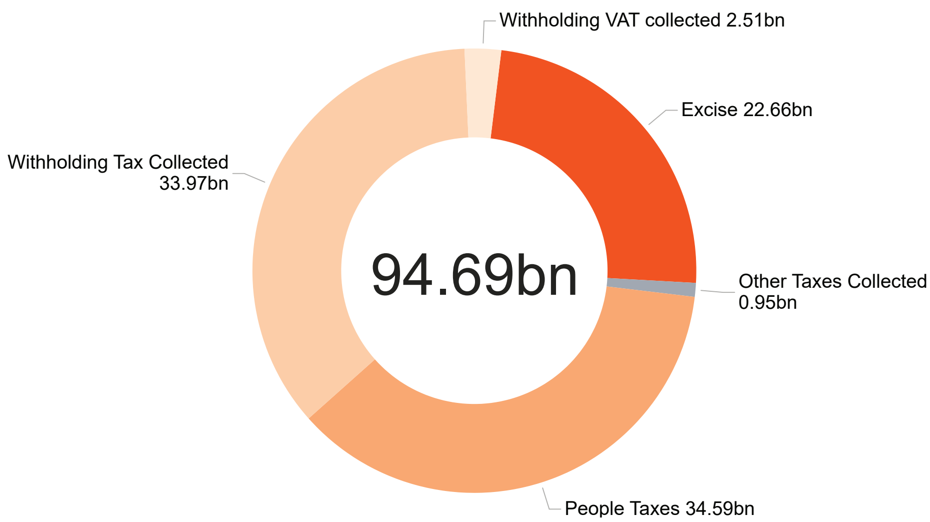
- A 10.62% increase in People Taxes Collected – from KES 31.27 billion in 2023 to KES 34.59 billion in 2024. This category includes PAYE, employee AHL, employee NSSF, and SHIF and growth was largely driven by introduction of new taxes such as AHL and SHIF.
- A 16.00% increase in Withholding Tax Collected – from KES 29.28 billion in 2023 to KES 33.97 billion in 2024. The growth in Withholding Tax collected is indicative of higher interest payments to deposit holders and other providers of debt financing; and
- A 5.20% increase in Withholding VAT Collected – from KES 2.39 billion in 2023 to KES 2.51 billion in 2024.

Conversely, there were decreases in certain categories:

- A 4.81% decrease in Excise Tax Collected – from KES 23.81 billion in 2023 to KES 22.66 billion in 2024. This decline may be attributed to a reduction in credit uptake; and
- A 3.77% decrease in Other Taxes Collected – from KES 0.99 billion in 2023 to KES 0.95 billion in 2024.

The continued growth in People Taxes and Withholding Tax collected demonstrates the sector's central role as an agent of government in collecting taxes from various stakeholders such as employees, suppliers and providers of capital.

Figure 10 – Taxes collected profile for participating banks (KES)



Analysis of taxes borne

This section analyses the taxes borne by the 36 participating banks.

Corporate Tax

Despite a 4.98% decline in Corporate Tax borne by the participating banks in 2024, the study participants contributed KES 69.41 billion representing 23.73% of total government Corporate Tax receipts.

The decline in Corporate Tax payments in 2024 was primarily driven by a 35% reduction in the final Balance of Tax (BOT), (which is a form of Corporate Tax) paid in 2024 compared to 2023. This final payment, which settles the final Corporate Tax due for the prior year, is directly influenced by the Corporate Tax paid through instalment payments throughout the previous year.

The sector's significant profit recovery in 2021, through a 85.17% increase in profits in 2021 compared to 2020, meant that the instalments paid during 2021 (based on lower 2020 profits) required a correspondingly large BOT payment being made in 2022.

Post 2022, no dips in profitability have been experienced which means that there has been no significant growth in BOT year-on-year leading to the decline in BOT by 35% in 2024 relative to 2023.

The 4.98% decrease in Corporate Tax can be further contextualized by a strategic shift in the banking sector's asset allocation. According to the 2024 State of the Banking Industry Report by KBA, banks showed reduced appetite for loan book growth due to elevated credit risk and high interest rates. This led to a decline in the share of loans and advances to total assets from 49.4% in 2023 to 48.1% in 2024[25], while investment in less risky assets like government securities rose from 24.5%[26] in 2023 to 27.8%[27], in 2024 reflecting a more cautious risk posture. Some government securities, such as infrastructure bonds, are exempt from income tax. Therefore, increased income from these instruments can reduce Corporate Tax liability even when profit before tax continues to grow.

This led to a decline in the share of loans and advances to total assets from 49.4% in 2023 to 48.1% in 2024[28], while investment in less risky assets like government securities rose to 27.8%[29], reflecting a more cautious risk posture.

Some government securities, such as infrastructure bonds, are exempt from income tax. Therefore, increased income from these instruments can reduce Corporate Tax liability even when profit before tax continues to grow.

The decline in Corporate Tax can also be attributed, in part, to a significant increase in bad debts written off during the 2024 financial year. According to data received from the KRA, the Banking Sector reported a total of KES 7.4 billion in bad debts written off in 2024, compared to KES 4.4 billion in 2023. This 68% increase in bad debt write-offs directly decreased the taxable income of these institutions, thereby lowering their overall CIT liability.

[25]https://www.kba.co.ke/wp-content/uploads/2025/08/STATE-OF-THE-BANKING-INDUSTRY-REPORT-2025.pdf

[26]https://www.kba.co.ke/wp-content/uploads/2024/08/State-of-the-Banking-Industry-Report-2024.pdf

[27]https://www.kba.co.ke/wp-content/uploads/2025/08/STATE-OF-THE-BANKING-INDUSTRY-REPORT-2025.pdf

[28]https://www.kba.co.ke/wp-content/uploads/2025/08/STATE-OF-THE-BANKING-INDUSTRY-REPORT-2025.pdf

[29]https://www.kba.co.ke/wp-content/uploads/2025/08/STATE-OF-THE-BANKING-INDUSTRY-REPORT-2025.pdf

Figure 11 - Corporate Tax paid by the study participants (2021 - 2023) (KES)

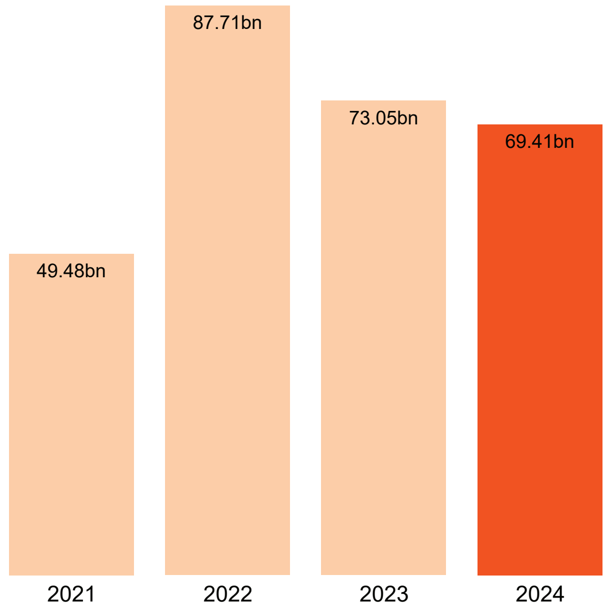
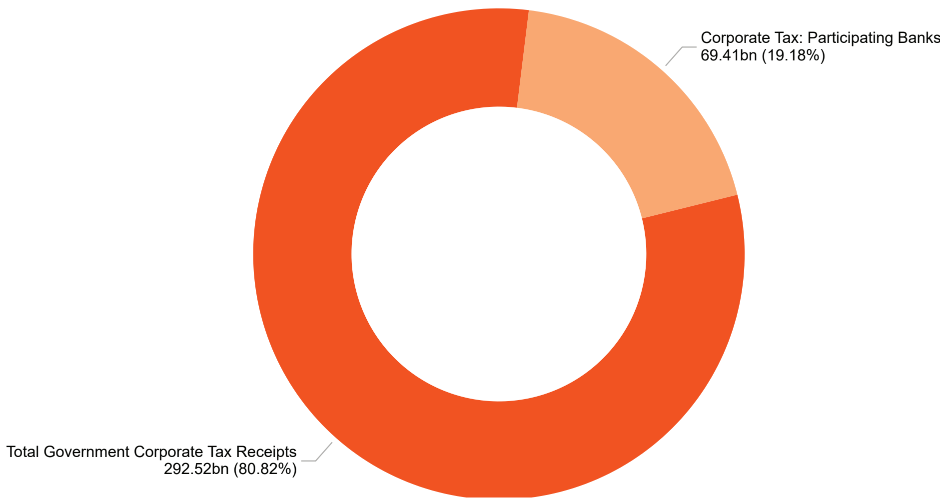


Figure 12 – Corporate Tax borne by the study participants as a percentage of total government corporate tax receipts (KES)



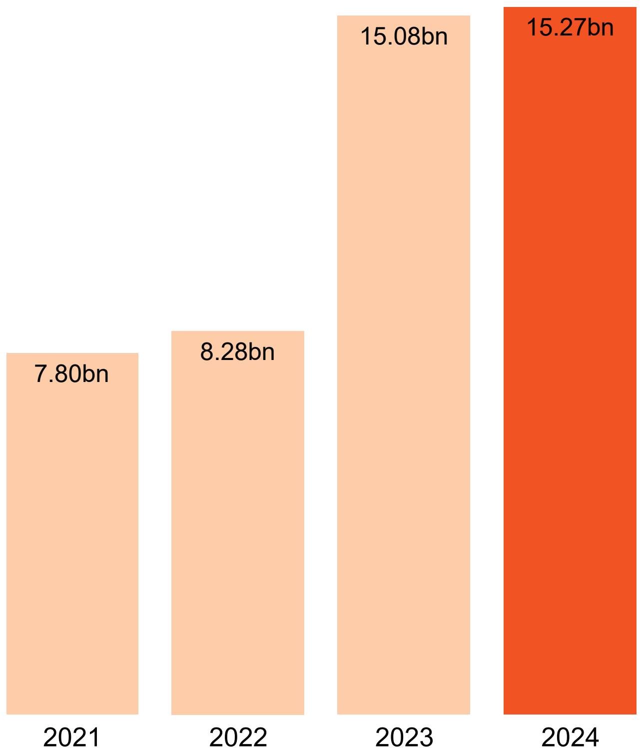
Despite the decline in Corporate Tax borne between 2023 and 2024, 36 participants in this study still contributed almost a fifth of all Corporate Tax in 2024 signifying the government's continued reliance on the banking sector for Corporate Tax receipts.

Irrecoverable VAT

Irrecoverable VAT refers to VAT that banks incur on expenses that they cannot deduct due to the nature of their VAT-exempt services. As a result, this VAT becomes a direct cost to the banks and must be absorbed as part of their operating expenses.

Irrecoverable VAT for the participating banks rose by 1.28% in 2024 relative to 2023 to KES 15.27 billion, reflecting continued growth, albeit at a slower pace than previous years. For banks, a significant portion of irrecoverable VAT arises from commercial rent, where landlords charge VAT that banks cannot claim due to the VAT-exempt nature of financial services. The sector opened 62 new branches in 2024 further contributing to this increase, as expanding physical infrastructure drives up VAT-liable rent without corresponding input VAT recovery[30].

Figure 13 – Irrecoverable VAT borne by the participating Banks (2021 - 2023) (KES)



Analysis of taxes collected

People Taxes Collected

People Taxes collected continue to represent the largest share of total taxes collected by the participating banks, with PAYE remaining the dominant component. In 2024, PAYE accounted for 91.85% of all People Taxes Collected by the participating banks, amounting to KES 31.77 billion in 2024, an increase from KES 29.09 billion in the previous year.

This growth is attributable to both the sector's continued employment of highly skilled, well-remunerated professionals and the upward adjustment of the marginal PAYE rate to 35% for top earners, which took effect in July 2023. Notably, financial and insurance sector rank at number two in terms of the average monthly basic wage, which stood at KES 200,500 in 2024[31].

[30]https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/1328318827_2024%20Annual%20Report.pdf

[31]https://www.knbs.or.ke/wp-content/uploads/2025/05/2025-Economic-Survey.pdf

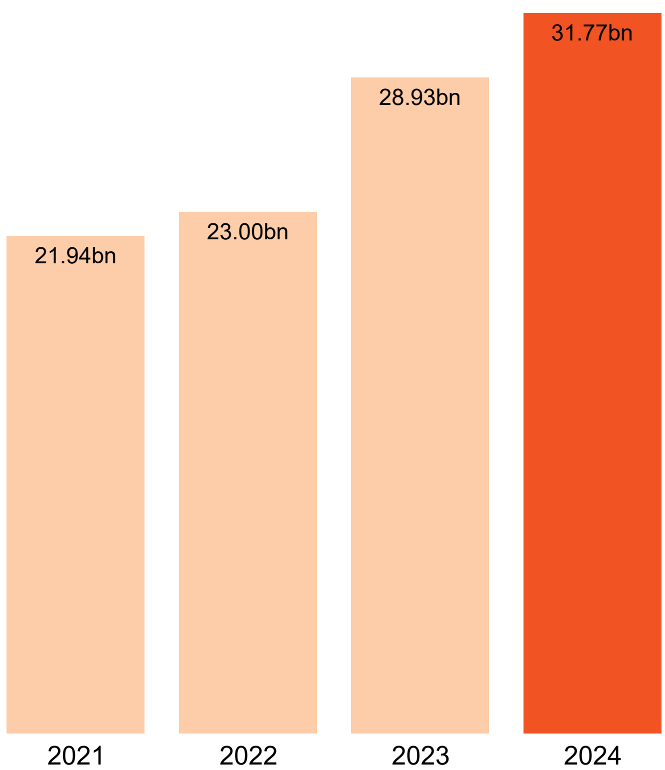
The year 2024 also saw the implementation of significant reforms in Kenya's statutory social contributions, directly impacting the structure and quantum of People Taxes Collected. The transition from NHIF to SHIF was formalized through the Social Health Authority Act, No. 16 of 2023, and the Social Health Insurance (Amendment) Regulations, 2024.

Under the new regime, effective 1 October 2024, SHIF contributions are set at 2.75% of gross monthly income, subject to a minimum of KES 300. For the participating banks, contributions to NHIF/SHIF increased from KES 546.4 million in 2023 to KES 772.9 million in 2024, reflecting a 41.45% year-on-year growth. This rise is indicative of both the increased rate and high compliance across the sector.

In parallel, NSSF revised its contribution rates in accordance with the NSSF Act No. 45 of 2013, effective 1 February 2024. The updated structure introduced a two-tier system: Tier I covers earnings up to KES 7,000, while Tier II applies to earnings between KES 7,001 and KES 36,000. Both employees and employers are now required to contribute 6% of pensionable earnings per tier, with a combined maximum monthly contribution of KES 4,320. For the participating banks, NSSF collections rose sharply from KES 434.5 million in 2023 to KES 768.5 million in 2024, representing a 76.88% increase.

Overall, the increases in PAYE, SHIF, and NSSF contributions in 2024 highlight the sector's role as a major employer and agent for collection of employee-related statutory deductions.

Figure 14 – PAYE Collected by participating banks (2021 - 2023) (KES)



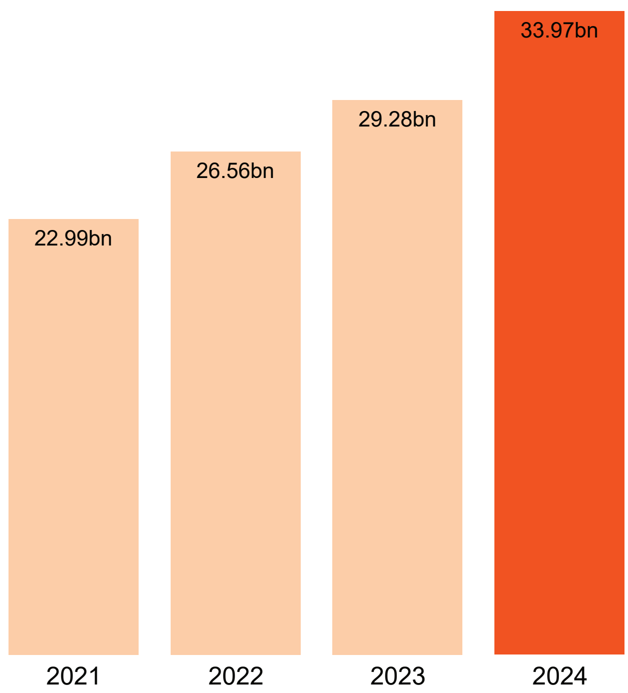
Other people taxes collected include NHIF, employee NSSF and employee AHL. The full-year implementation of the AHL was particularly impactful, with collections by the participating banks surging by 113% from KES 1.62 billion in 2023 to KES 3.45 billion in 2024.

Withholding Tax Collected

Withholding Tax remains the second largest component of taxes collected by the participating banks.

In 2024, Withholding Tax collected rose further to KES 33.97 billion, marking a 16% year-on-year increase. This continued growth can be attributed to the growth in interest expense as banks are required to collect withholding tax on interest expense accrued. The banking sector's interest expense increased from KES 280.8 billion in 2023 to KES 385.8 billion in 2024, a 37.4% increase[32]. This was due to both higher deposit volumes and elevated interest rates with the monthly average Central Bank Rate (CBR) increasing from 10.5% in 2023 to 12.3% in 2024[33].

Figure 15 – Withholding Tax Collected by the participating banks (2021 - 2024) (KES)



[32]https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/1328318827_2024%20Annual%20Report.pdf

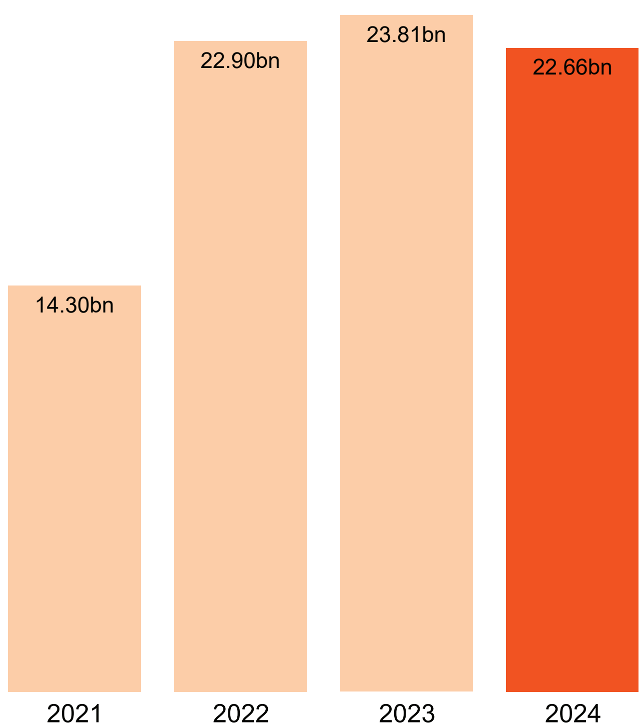
[33]https://www.centralbank.go.ke/rates/central-bank-rate/

Excise Collected

Excise Duty collected by the participating banks experienced a notable decline in 2024, dropping to KES 22.66 billion from KES 23.81 billion in 2023. This represents a decrease of approximately 4.83%, marking the first year-on-year drop in Excise Duty collections by the study participants since Covid-19 era in 2020.

The decrease in Excise Duty collections is closely linked to a slowdown in credit uptake in 2024. In 2024, gross loans decreased by 2.7% from KES 4,183.4 billion in December 2023 to KES 4,070.2 billion in December 2024, indicating reduced demand for credit across economic sectors[34]. Reduction in credit uptake results in a reduction in loan charges that attract Excise Duty, thereby lowering Excise Duty. Further to this, according to the 2024 Bank Supervision Annual Report, fees and commissions charged by the banking sector on loans and advances decreased to KES 45.01 billion in 2024 from KES 46.01 billion in 2023, a 2.17% decline[35] - this further explains the decline in excise duty.

Figure 16 – Excise Duty Collected by Participating Banks (2021 - 2023) (KES)



[34]https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/1328318827_2024%20Annual%20Report.pdf

[35]https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/1328318827_2024%20Annual%20Report.pdf

05 Value distributed by the study participants

"Value distributed" consists of the sum of taxes paid, employee emoluments and incentives and dividends paid to shareholders. These categories of persons - government, employees, and shareholders - represent the key stakeholders in any corporate organisation.

The Government received the largest proportion of the value distribution by the participating banks in 2024 at 54.95 % (in the form of taxes collected and borne), followed by employees (in the form of employee emoluments net of taxes) at 25.62% and lastly shareholders at 19.44% (in the form of dividends net of taxes).

The increase in value distributed through dividends in 2024 relative to 2023 can be primarily explained by the increase in dividend income as a result of growth in profit before tax of 18.65% from KES 219.21 billion in 2023 to KES 260.09 billion in 2024[36]. Additionally, timing differences between dividend declaration in 2023 and actual payment in 2024 may have contributed to the surge.

In 2024, a larger portion of employee salaries went towards taxes in 2024 and although participating banks increased salaries and wage by 0.96%, the income tax (PAYE) collected from those wages grew much faster at 9.18%. This was largely due to the full-year effect of higher tax bands and increase in salary-based deductions such as AHL, SHIF and NSSF.

Figure 18 – below shows the value distribution by the study participants

Value distributed (%)	2023		2024		YoY % Change
	Amount (KES bn)	Percentage	Amount (KES bn)	Percentage	
Taxes (collected and borne)	190.26	57.17%	194.81	54.95%	2.39%
Employee Emoluments (net of taxes)	92.34	27.80%	90.82	25.62%	(1.65%)
Dividends paid (net of taxes)	50.03	15.03%	68.91	19.44%	37.74
Total	**332.63**	**100%**	**354.54**	**100.00%**	

[36]https://www.kba.co.ke/wp-content/uploads/2025/08/STATE-OF-THE-BANKING-INDUSTRY-REPORT-2025."

06 Total Tax Rate of Participating Banks

Total Tax Rate (TTR) is the ratio of all taxes borne as a percentage of Profit Before Tax (PBT) and is therefore a measure of the cost of all taxes borne relative to profitability. On an overall basis, the TTR of participating banks was 38.50%. This means that for every KES 100 of profit by the participating banks, KES 38.50 was paid to the government as taxes.

The TTR decreased from 46.77% in 2023 to 38.50% in 2024. The 8.27% decline in the TTR was driven by a 18.65% increase in PBT of the participating banks – from KES 219.21 billion in 2023 to KES 260.09 billion in 2024[37] accompanied by a 2.34% decline in total taxes borne. Please refer to page 19 on Corporate Tax for detailed analysis on the reasons for the decline in Corporate Tax which is a major component of taxes borne.

A comparison with Tanzania's banking sector highlights a significant shift, as the 2024 Total Tax Rate for participating Kenyan banks, at 38.50%, is now marginally lower than Tanzania's most recent available rate of 39% from 2023.

The narrowing and subsequent inversion of this gap is mainly due to a notable increase in the profitability of the participants, which occurred alongside a modest decline in the total taxes borne by the banks.

Looking ahead, where banks continue to invest more in tax exempt government issued bonds and the sector's profitability continues to grow, the Total Tax Rate can be projected to trend downwards.

Figure 19 – below shows the TTR for the study participants

Description	2023 KES bn	2024 KES bn
Corporate Tax	73.05	69.41
Irrecoverable VAT	15.08	15.27
Other taxes borne	14.39	15.44
Total taxes borne	**102.52**	**100.12**
Profits Before Tax (after exceptional items) of participating banks	219.21	260.09
Total Tax Rate (TTR)	**46.77%**	**38.50%**

[37]The 2023 value of Profit Before Tax (PBT) has been revised from KES 218.14 billion, as previously reported in the 2023 TTC report, to KES 219.21 billion, in alignment with the figures provided by the Kenya Bankers Association (KBA). As a result of this adjustment, the 2023 restated Total Tax Rate is 46.77%.

07 Cost of Compliance

In 2024, the participating banks continued to face a significant compliance burden. On average, three full-time employees were engaged in tax compliance functions, at an estimated annual cost of KES 13,503,104 per bank. Beyond regular staffing, each bank surveyed incurred an additional KES 1,853,002 on average to hire extra personnel dedicated specifically to compliance. For those that engaged external consultants, the average annual cost stood at KES 3,790,607. These figures underscore the substantial internal and external resources now directed toward managing tax obligations.

On a scale of zero to five, banks rated the difficulty of filing returns at 3.27. Short payment periods, particularly the five-day filing and payment requirement for withholding taxes and were repeatedly cited as a major strain, forcing banks to allocate more staff towards administration of tax obligations.

Respondents overwhelmingly suggested that reverting the frequency of Withholding Tax filings from the current five-day cycle back to a monthly schedule would be the single most effective step in reducing costs and easing pressure. In addition, surveyed banks called for greater automation through integrated digital platforms, pre-filled returns, and enhanced iTax functionality, alongside clearer and more predictable tax guidelines, particularly on the effective use of digital tools such as iTax and eTIMS.

While a few acknowledged progress in areas such as auto-populated VAT returns, stabilization of iTax, and Alternative Dispute Resolution (ADR) mechanisms for resolving tax disputes, the dominant view was that compliance obligations have continued to grow in both complexity and cost.

Total Tax Contribution Report - 2024
Kenya Bankers Association

www.pwc.com/ke