

Withholding tax and turnover tax

Kenya tax and compliance

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Withholding tax and turnover tax

Deduct withholding tax from supplier payments, and understand turnover tax for small businesses.

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Overview

Withholding tax (WHT) is tax you deduct from certain payments to suppliers, and pay to KRA on their behalf. **Turnover tax (TOT)** is a simplified tax on the gross sales of small businesses that are not VAT-registered.

> Rates below are a summary from KRA's published table (resident payees). Check KRA and your accountant for the current rate for each payment, since the Finance Act 2026 also changed how some fees are classified.

Withholding tax: common resident rates

Payment	Rate
Management, professional and training fees	5%
Consultancy and agency fees	5%
Contractual fees	3%
Rent of buildings	12%
Dividends	5% (nil for shareholders with more than 12.5%)
Interest (bank)	15%
Insurance commissions	10%
Royalties	5%

Non-residents have different rates, usually higher.

Set it up

1. Create accounts: **WHT Payable** (a liability) and, if you are the one being withheld from, **WHT Receivable** (an asset).
2. Search for **Tax Withholding Category** and click **Add**. Name it *Professional Fees 5%*. In the **Rates** table, add the fiscal year and the **Tax Withholding Rate** 5. In **Accounts**, choose the company and the *WHT Payable* account. Create one per rate.
3. On the **Supplier**, choose the **Tax Withholding Category** that applies.

Record a payment

1. Create the **Purchase Invoice** from the supplier. The system calculates the withheld tax from the category. Check it.
2. When you pay, the **Payment Entry** pays the supplier the invoice amount less the withholding.
3. Pay the withheld amount to KRA by the **20th** of the next month, through iTax. Record it with a Payment Entry or Journal Entry to clear **WHT Payable**.
4. Give the supplier a **withholding tax certificate** for the amount you withheld.

If a customer withholds from you

Your customer pays you less than the invoice and gives you a certificate. Record the shortfall as **WHT Receivable** in the payment, and use the certificates to reduce your own income tax.

Turnover tax

TOT is a **1.5%** tax on gross monthly sales for resident businesses with annual turnover between **KES 1 million and KES 25 million** that are not VAT-registered, at the time of writing. Check the current thresholds.

1. Create a **TOT Payable** account.
2. Each month, run the **Sales Register** for gross sales.
3. Calculate 1.5% of the total, file the return and pay by the **20th** of the next month.
4. Record the expense and payment with a Journal Entry.

A business that registers for VAT stops paying turnover tax.

Practical example

A company pays a consultant KES 200,000. At 5%, it withholds KES 10,000, pays the consultant KES 190,000, and pays KES 10,000 to KRA by the 20th of the next month.

Important notes

- Do not withhold on payments that are exempt, and do check each supplier's status.
- Obtain the supplier's PIN before paying. Without it, you cannot file correctly.
- Keep certificates and iTax receipts for your audit.

Common mistakes

- Paying the supplier the full amount, and having to recover the withholding later.
- Forgetting to remit what you have withheld.

Next steps

Return to Kenya tax overview.

Related documentation

- VAT: setting up, recording and returning
- Kenya tax overview and compliance calendar
- Recording supplier bills
- Recording customer and supplier payments