



Acumen East Africa Budget and Finance Act Outlook 2025/2026



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July 2025

Agenda

11:00- 11:05 Welcome & Housekeeping by Acumen East Africa

11:05- 11:10 Setting the scene by Sandeep Main, Partner and Head of Private Enterprise, KPMG in Africa

11:10 - 11:50 East Africa Budget and Finance Act Outlook 2025/2026 Presentation

- Kenya regulatory updates (10 minutes) by Lydia Abala, Senior Manager, KPMG in Kenya
- Rwanda regulatory updates (10 minutes) by Joel Namanya, Manager, KPMG in Rwanda
- Tanzania regulatory updates (10 minutes) by Benedict Kombaha, Manager, KPMG in Tanzania
- Uganda regulatory updates (10 minutes) Lucy Kemigisha, Manager, KPMG in Uganda

11:50 – 11:55 Live Q&A Session Moderated by Acumen

11:55 – 12:00 Closing Remarks

01

Kenya's Outlook



Key economic landscape in Kenya

01

Economic Growth

The Central Bank of Kenya (CBK) projected a growth rate of 5.5% for 2025, while the IMF's more conservative forecast pegged it at 5.0%.

02

Inflation

In late 2024, Kenya's inflation fell to a 17-year low of 2.7%, while the shilling strengthened to Sh129.29 per dollar.

03

Key sector contributions to the GDP

- Financial and Insurance activities -7.9%;

Other key sectors

- Agriculture sector-22.5%; and
- Transportation and storage – 12.5%.

04

Financial and insurance activities

- The financial and insurance sector recorded a growth of 7.6 per cent in 2024 compared to 10.1 per cent growth in 2023.

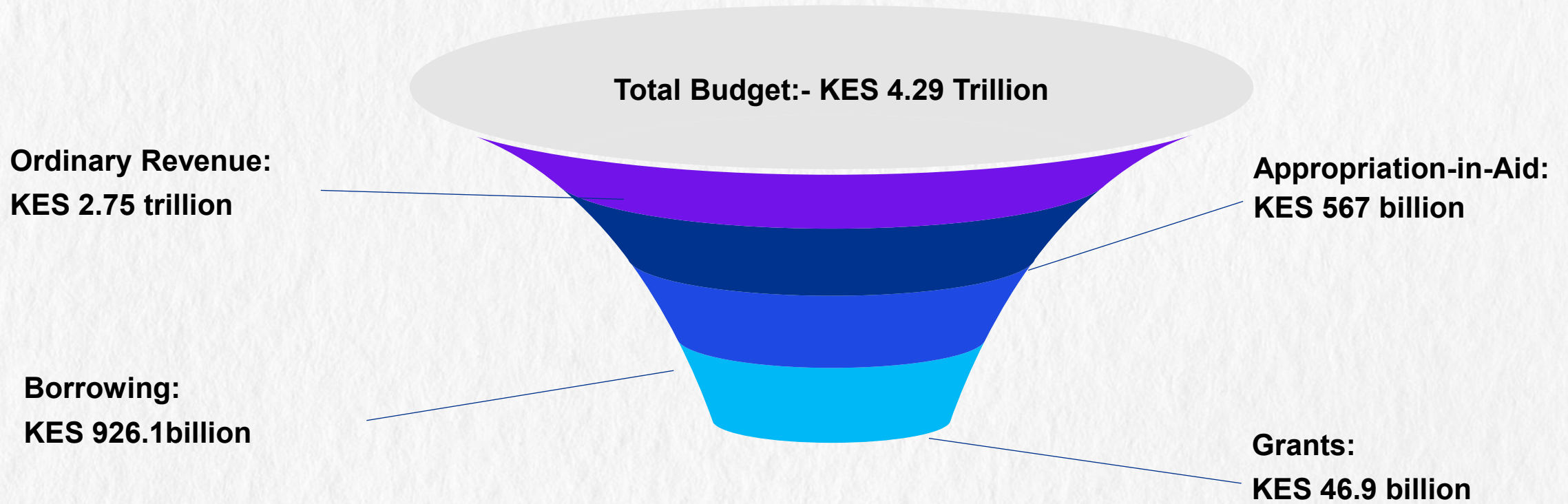
05

Taxation and revenue measures

Kenya's government aims to collect **Sh 2.732 trillion** in tax revenue for 2025/26 through taxes.

Key Budget Highlights

- The 2025 Budget Statement themed, “Stimulating sustainable economic recovery for improved livelihoods, job creation and businesses and industrial prosperity in line with Bottom-up Economic transformation Agenda (BETA)” aims to have revenue expenditure as shown below.
- According to the speech, the government is projecting to raise revenues of KES 3.3 trillion and spend KES 4.29 trillion, leaving it with a gap of nearly KES 1 billion that will be financed through borrowing. With the debt levels at 63% of GDP, exceeding the baseline of 55% of GDP, there is pressure for fiscal consolidation.



Sector Allocation

Despite the huge budget deficit, these are some of the specific areas that the government has allocated its resources as part of its Bottom-Up Economic Transformation Agenda.

Sector	Allocation	Key Subsectors Allocated
Education	KES 702.7 billion	<ul style="list-style-type: none"> – Junior Secondary School Capitation: KES 28.9 billion – Free Day Secondary Education: KES 51.9 billion – Kenya Primary Education Equity: KES 13.3 billion
Infrastructure Development	KES 317.1 billion	<ul style="list-style-type: none"> – National Grid System: KES 31.6 billion – Rural Electrification: KES 16.3 billion
Universal Health Coverage	KES 138.1 billion	<ul style="list-style-type: none"> – Improved health service Delivery for referral hospitals: KES 42.4 billion – Medical interns: KES 4.3 billion – Primary Healthcare Fund: KES 13.1 billion
Environmental Protection, Water and Natural Resources	KES 120.6 billion	<ul style="list-style-type: none"> – Forests Resources Conservation and Management: KES 10.7 billion – Wildlife security, conservation, and management: KES 13.2 billion – Water and sewerage infrastructure development: KES 26.2 billion
Agriculture	KES 47.6 billion	<ul style="list-style-type: none"> – Fertilizer Subsidy: KES 8.0 billion – Blue Economy and Fisheries: KES 8.0 billion
Manufacturing	KES 18 billion	<ul style="list-style-type: none"> – Establishment of County Integrated Agro-Industrial Parks: 4.5 billion – Sugar sector reforms: 1.5 billion

Sector Comparison

To check the progress of the Bottom-Up Economic Transformation Agenda across the highlighted sectors, we compare the changes between FY 2024/25 and FY 2025/26 which are as follows:-

Strategic Areas	FY 24/25	FY 25/26	% Change
Transforming MSME economy	KES 5B	KES 7.5B	0.5%
Housing and settlement	KES 92.1B	KES 128.3B	39%
Universal healthcare coverage (UHC)	KES 127B	KES 138.1B	8.7%
Digital superhighway and creative economy	KES 16.3B	KES 12.7B	-22%

Standout Sector Reforms

Additionally, within the budget there have been some sector reforms aimed at enhancing fiscal responsibility and sustainability such as:-

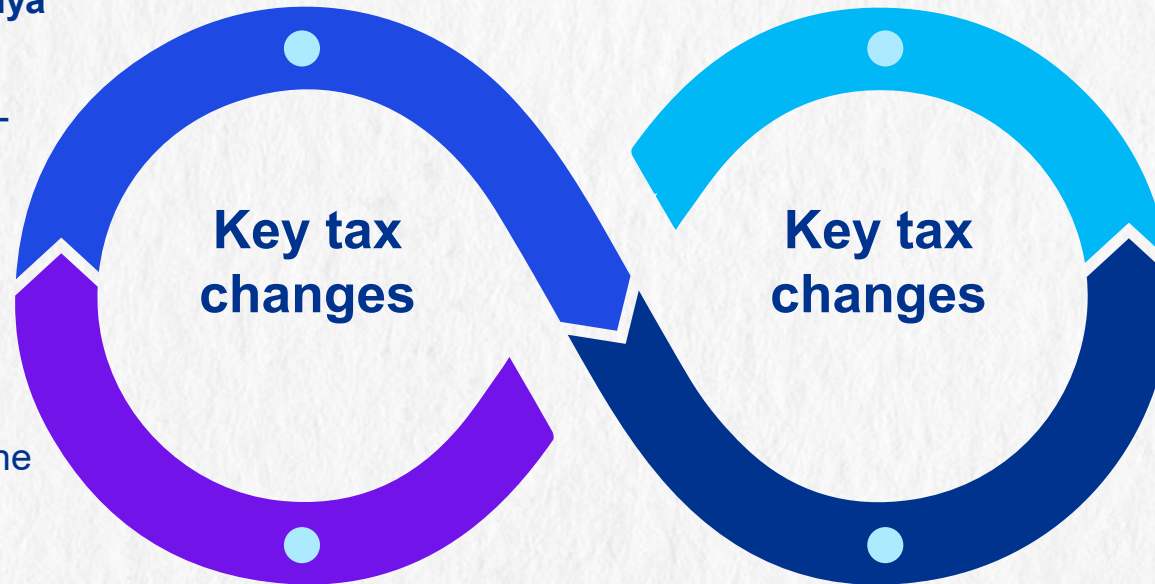
Sector	Intended Reforms
Financial Sector	<ul style="list-style-type: none"> ▪ In April 2025, the Central Bank lifted the moratorium on licensing new commercial banks to attract foreign investment and encourage competition. ▪ Additionally, the Government is finalizing the National Financial Inclusion Strategy (2025–2028) to deepen access to affordable financial services. ▪ The Government has prioritized Public-Private Partnerships (PPPs) as a key mechanism for financing development, with 32 active projects projected to mobilize KES 70 billion in private sector investment in FY 2025/26 across critical sectors such as energy, health, water, housing, and transport.
Capital Market Reforms	<ul style="list-style-type: none"> ▪ The Government is undertaking ongoing reforms in the capital markets aimed at improving efficiency and enhancing investor confidence. ▪ This includes a comprehensive review of regulations governing the licensing of market players, margin trading, conduct of business for intermediaries, and processes for mergers, acquisitions, and takeovers.
Climate Change	<ul style="list-style-type: none"> ▪ The Government intends to develop several key frameworks to strengthen climate finance and investment opportunities such as Climate Finance Mobilization Strategy, National Policy Framework on Green Strategy, National Policy Framework on Green Fiscal Incentives, Carbon Market Framework, and National Green Taxonomy. ▪ Currently, the Government indicates it is finalizing the Public Finance Management (Disaster Risk Management Fund) Regulations, 2025, which will establish a fund to support all four phases of disaster risk management.

Key tax changes

Agency notices to non-resident persons with tax debts in Kenya

- The Act has empowered the KRA to collect taxes from non-resident persons through persons that owe these non-residents.
- The Commissioner is now empowered to recover taxes owed by non-residents from resident taxpayers who owe the non-resident persons.

Effective date: 1 July 2025



Limitation on carry forward of tax losses

- The time for carrying forward of tax losses has been reduced from indefinite to 5 years.
- Taxpayers have an option of applying for an extension of time to carry forward tax losses by an additional 5 years.
- May have an adverse impact on capital intensive businesses that have tax incentives such as investment deductions.

Effective date: 1 July 2025

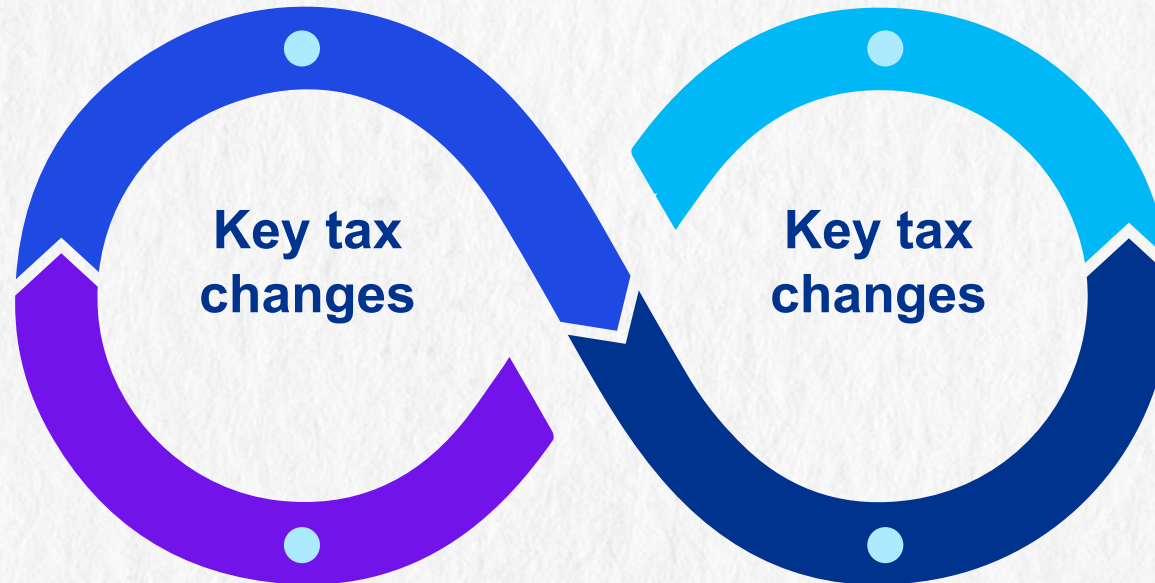
Key tax changes

Deletion of minimum tax

The Act has deleted the provision on requirement of taxpayers to pay minimum tax on their topline.

This change is a clean up following the declaration of minimum tax as unconstitutional.

Effective date: 1 July 2025



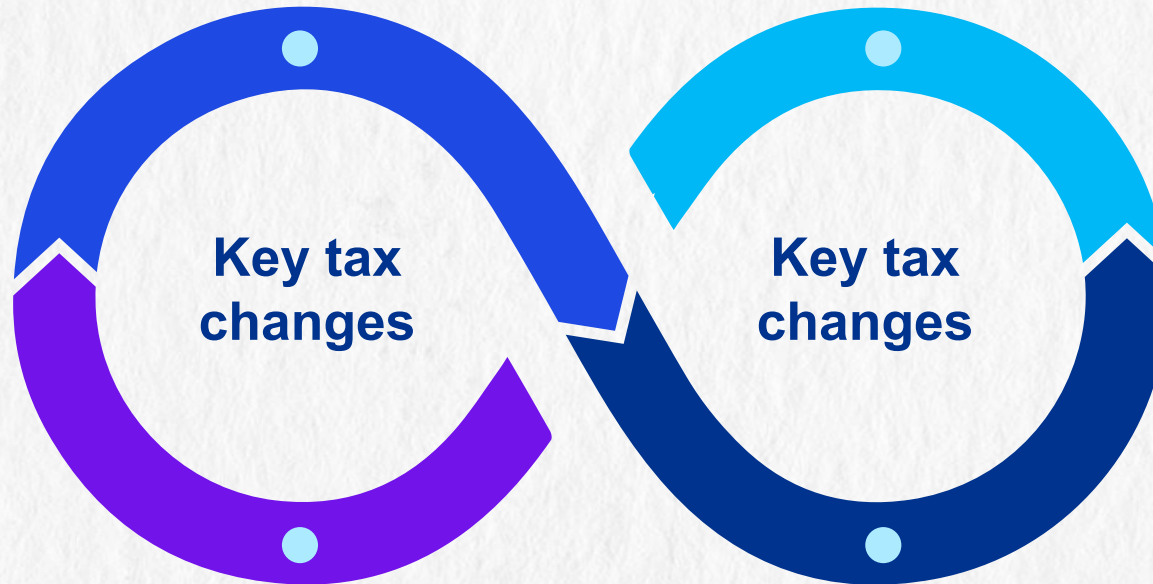
Per Diem threshold

- The Act has increased the threshold for per diem from **KES 2,000** to **KES 10,000** per day.
- This is a welcome move as it is expected to ease the financial pressure of employees who travel for work providing them with a wider tax-exempt cushion to cater for daily expenses.
- **Effective date: 1 July 2025**

Key tax changes

Preferential CIT rates for NIFC certified companies

- The Act introduced a reduced CIT rate of 15% for first ten years and 20% for next ten years for entities operating in NIFC.
- Conditions to benefit from above incentive include:
 - Investment of at least KES 3 billion within 1st three years.
 - If a HoldCo, >70% of senior management are Kenyan citizens.
 - If regional HQs in Kenya, >60% of senior management in Kenya.
- **Effective date: 1 July 2025**



Transactions excluded from eTIMs requirement

- Transactions excluded from eTIMs requirement to include emoluments, imports, interest, transactions accounting for investment allowance, airline passenger ticketing and payments subject to withholding tax as a final tax.
- This change was done to remove the term “and similar payments” which caused ambiguity regarding what is exempted from eTIMS.
- **Effective date: 1 July 2025**

02

Rwanda's Outlook



Key economic landscape in Rwanda

01

Economic Growth

The economic growth was recorded at 8.9%, with an average economic growth of 7% projected for the next three years.

02

Inflation

As of May 2025, the inflation rate averaged at 6.5%. This rate is expected to decline to 3.9% in 2026.

Inflation primarily driven by increased core inflation and fresh food inflation.

03

Key sector contributions to the GDP

- Agriculture – 5%
- Manufacturing - 10%
- Services – 10%

Budget resource allocation

Policy priorities for the MTEF period are guided by Vision 2050 objectives and priorities embedded in the National Strategy for Transformation (NST2, 2024-2029), Presidential pledges and other strategic documents as follows:

1. Economic Transformation Pillar
2. Social Transformation Pillar
3. Transformational Governance Pillar;

NST Pillar/NST Sector	Allocation in billion
1. Economic Transformation Pillar	4,465.6
Agriculture	222.3
Private sector Development & Youth Employment	132,1
Transport	251,8
Energy	201,9
Urbanization and Rural Settlement	74,9
Information Communication Technology (ICT)	97,5
Environment and Natural Resources	131,5
Financial Sector Development	12,4
Public Finance Management (PFM)	3,341

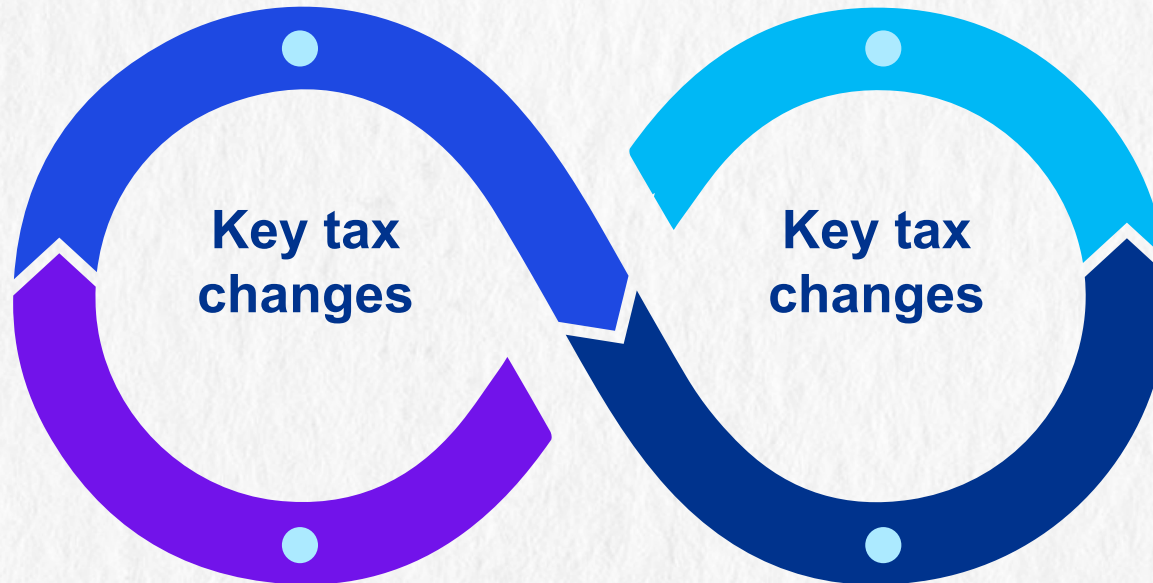
NST Pillar/NST Sector	Allocation
2. Social Transformation Pillar	1,533.8
Water and Sanitation	165
Social Protection	92
Health	462
Education	813

NST Pillar/NST Sector	Allocation
3. Transformational Governance Pillar	1,033
Governance and Decentralization	307
Justice, Reconciliation, Law and Order (JRLO)	610.1
Sports and Culture	8
Public Finance Management (PFM)	106

Key tax changes

Purchase and importation of electric and hybrid vehicles

- The government has extended the exemption from import duties and VAT on imported and locally assembled electric and hybrid vehicles.



Increase in capital gains tax

- The government has increased the capital gains tax on direct and indirect transfer of shares and related securities from 5% to 10%

03

Tanzania's Outlook



Key economic landscape in Tanzania

01

Economic Growth

The Tanzanian economy grew by 5.6% in 2024 as compared to 5.1% in 2023.

Economy expected to grow by 6.0% in 2025.

02

Inflation

Inflation decreased to 3.1% in 2024 compared to 3.8% in 2023, which is within the target of < 5%.

Inflation driven by huge reliance on imported fuel.

03

Key sector contributions to the GDP

Arts and entertainment – 17%

Electricity production – 14%

ICT – 14%

Finance and insurance – 13%

Agriculture – 26%

04

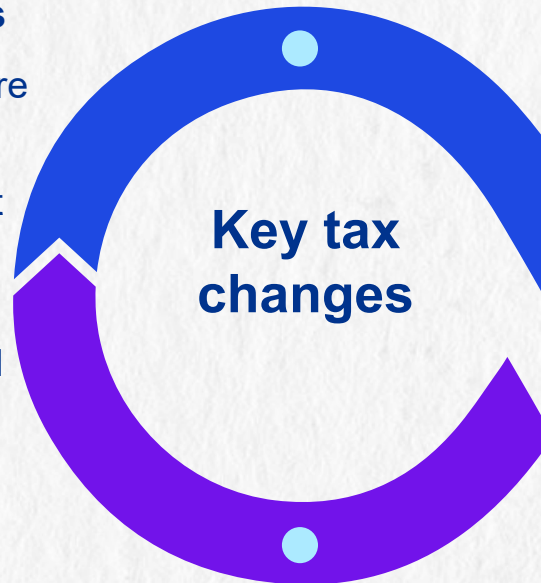
Taxation and revenue measures

Tanzania's goal is to increase tax revenue to 13.3% of GDP in 2026 up from 12.8% in 2025 while reducing fiscal deficit to 3%.

Key tax changes

Taxation of Retained Earnings

- Unutilized retained earnings are deemed as distributed;
- WHT at the rate of ten percent (10%) will be applied;
- The Commissioner is vested with discretionary powers; and
- Applicability period is one (1) year after the year end.



Key tax changes

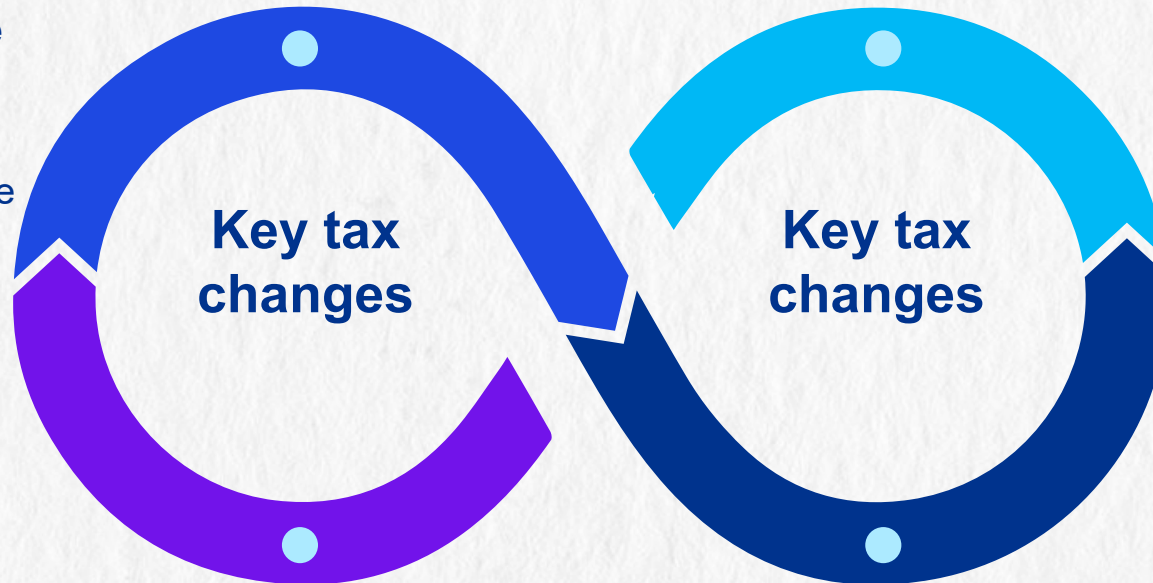
Amending the technical interpretation of the term "Equity"

- Equity was previously interpreted to mean "Paid Up Share Capital" only;
- Interpretation has been expanded to include "Positive Retained Earnings";
- The amendment is intended for "Thin Capitalization Purposes"; and
- A positive impact for interest expenses deductibility for "Exempt Controlled Resident Entities" .

Key tax changes

Upward Revision – Alternative Minimum Tax (AMT)

- Eligible criterion – unrelieved losses for three (3) consecutive years;
- Previous rate – 0.5% of the chargeable income";
- Revised rate – 1% of the chargeable income "; and
- Aim is to protect the Government coffers.



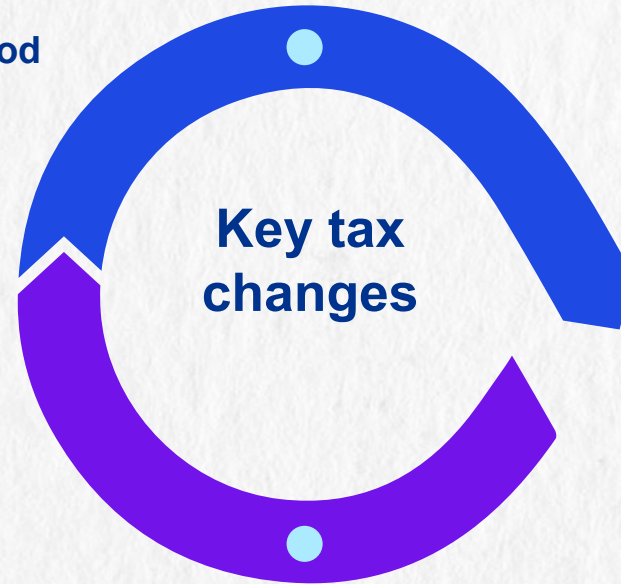
Introduction of a VAT withholding Agent

- Withholding Agent – Ministry for Finance, Government Entity & Registered Person;
- Eligibility criterion – supply made to Withholding Agent "; and
- Withholding rate – 3% for supplied goods & 6% for supplied services ".

Key tax changes

Revised VAT Regime – Online Good Purchases

- Purchases made to unregistered persons in Mainland Tanzania;
- Payment – Bank or Approved Electronic Payment System"; and
- Applicable VAT rate – 16% (Operationalization – September 2025)".



04

Uganda's Outlook



Key economic landscape in Uganda

01

Economic Growth

The Ugandan economy grew by 6.3% in 2025.

Economy expected to grow by 7.0% in 2026.

Economy to grow by double digits once oil production commences.

02

Inflation

Inflation decreased to 3.4% in 2025 compared to 4.1% in 2024.

Decrease in inflation primarily attributed to good export performance.

03

Key sector contributions to the GDP

Agriculture – 24%

Services – 42%

Industry – 18%

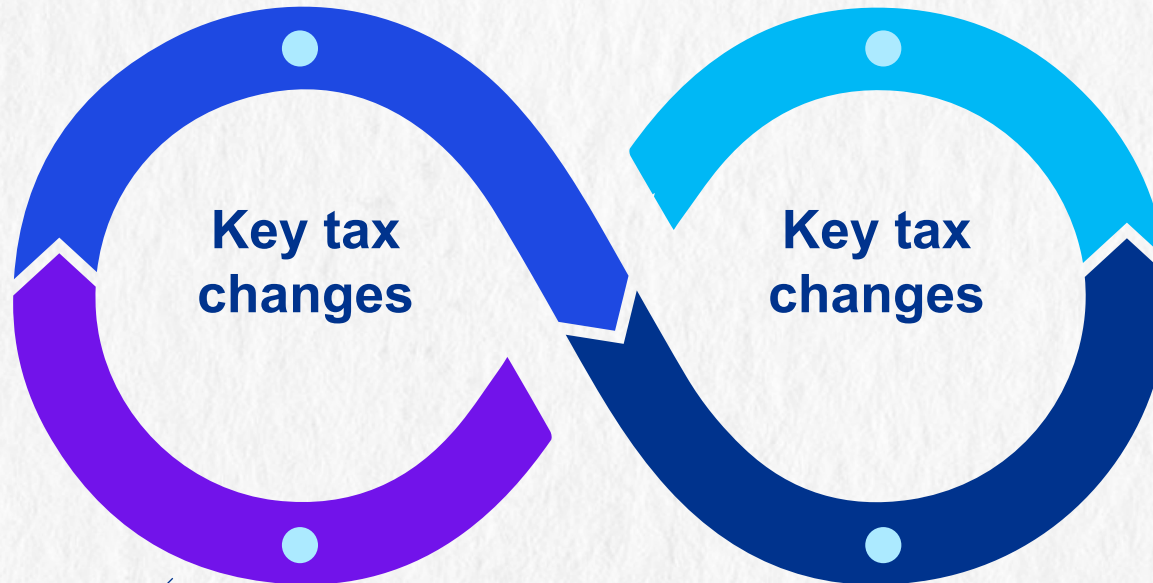
Sector Allocation

Sector	Allocation	Key Subsectors Allocated
Health	Ushs 5.87 trillion	<ul style="list-style-type: none"> – Primary healthcare – Nutrition education and reproductive health – National ambulance and emergency referral system
Education	Ushs 5.04 trillion	<ul style="list-style-type: none"> – Free education to UPE, USE and Universal O Level Education – Sponsorships and student loans – Rehabilitation of 120 traditional secondary schools
Social protection	Ushs 404.9 billion	<ul style="list-style-type: none"> – Support youth livelihood program – Uganda Entrepreneurship Program – National Special Grant for Persons with Disabilities.
Water, Sanitation and Environmental Protection	Ushs 366.1 billion	<ul style="list-style-type: none"> – Water resource management – Climate change mitigation

Key tax changes

Income Tax

- Exemption of tax on income earned by a startup owned by Citizens with investment capital of less than 500 Million Shillings.



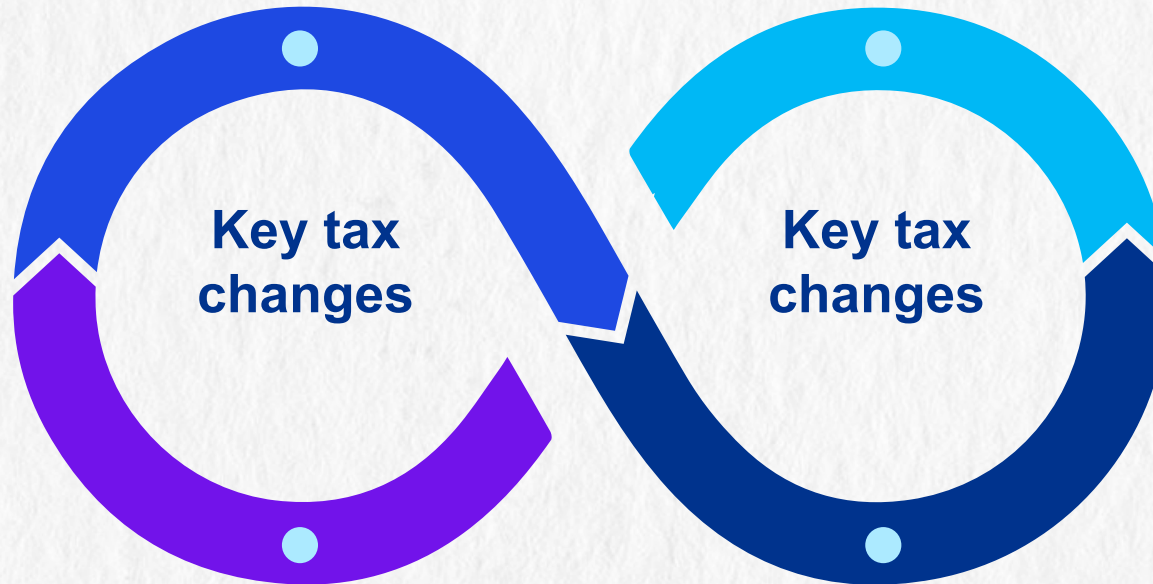
Tax Procedures Code

- Use of NINs, BRNs and TINs issued by Tax Treaty party States as Tax identification Numbers.
- Waiver of Interest and penalty outstanding as of 30 June 2024 upon payment of principal tax by 30 June 2026.
- Payment of tax due in case of failure to comply with the requirements for tax exemption.

Key tax changes

External Trade

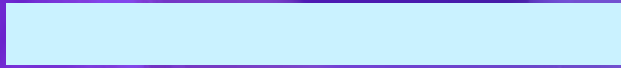
- Introduction of Import Declaration fee of 1% on all imports for home use.
- Introduction of Infrastructure levy on all imports for home use.



Stamp Duty

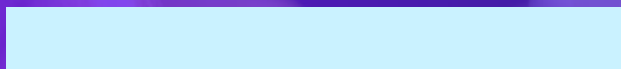
- Removing Stamp Duty on an agreement or Memorandum of an Agreement; Mortgage deed; and Mortgage of a crop.

Q&A



A person with their back to the camera, wearing a blue denim shirt, has their right hand raised. They are in a classroom or meeting room with other people in the background, some wearing face masks. The scene is overlaid with a purple-to-blue gradient.

Thank You





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