

Capital gains tax – Additional requirements for vendors in real estate transactions

September 12, 2019

The Kenya Revenue Authority (KRA) has indicated that it will now verify all applications for exemption from Capital Gains Tax (CGT). Going forward, KRA will first require property owners to avail the following documents in order to conduct a verification exercise prior to approving a CGT exemption:

- the transfer document;
- the national ID and KRA PIN;
- the utility bills in respect of the property; and
- any other supporting documents.

The verification process may lead to a delay in the timeline of concluding property transactions, since the KRA will first have to confirm whether the transaction is CGT exempt prior to the purchaser proceeding to pay stamp duty.

The verification process also means that property owners have to be more diligent in confirming that they have complied with all their tax requirements prior to entering into a transaction.

Increase in the CGT payable to 12.5%

The Finance Bill 2019 proposed to increase the rate of CGT from the current 5% to 12.5% with effect from 1 October 2019. Vendors with ongoing transactions that are subject to CGT therefore have every incentive to complete these prior to any rate increase being passed into law.

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