

STATUTORY DEDUCTIONS IN KENYA

August 2023 By Cpa Kariuki John Njoka

A QUICK GUIDE TO UNDERSTANDING STATUTORY DEDUCTIONS IN KENYA

A statutory deduction is a mandatory monthly deduction taken off employees' paychecks by an employer. In Kenya, employers are required to submit employee's statutory deductions to the relevant government bodies, as a legal requirement. Failure to register for these deductions results in serious penalties that cost a business or an individual money.

01 Pay As You Earn (PAYE)

Pay As You Earn (PAYE) is a tax deducted from an employee's salary and remitted to the Kenya Revenue Authority (KRA) on or before the 9th day of the succeeding month. Employees resident in Kenya are allowed personal relief on PAYE deducted on their employment income. The current rate of personal relief is KES 28,800 per annum or KES 2,400 per month. The following penalties apply for: Late filing attracting a 25% of the tax due or Kshs. 10,000, whichever is higher Late payment which is subject to a 5% of the tax due and a late payment of 1% per month on the unpaid tax until the tax is paid in full.

02 National Social Security Fund (NSSF)

National Social Security Fund (NSSF) is a statutory retirement benefits scheme and operates as a public trust. It provides retirement benefits for employees in the formal and informal sectors. Normally, the employer pays one half of NSSF contributions while the employee pays the other half of the amount remitted, on or before the 9th day of the succeeding month.

03 National Hospital Insurance Fund (NHIF)

National Hospital Insurance Fund (NHIF) is a statutory deduction which provides limited in-patient and out-patient medical insurance cover at accredited health facilities to eligible members from both the formal and informal sectors. Employers are required to remit NHIF contributions deducted from salaries paid to their employees on or before the 9th day of the succeeding month. However, some employers provide their employees with private medical insurance cover in addition to the NHIF medical scheme.

04

National Industrial Training Authority (NITA)

The National Industrial Training Authority (NITA) is a levy charged by the Kenyan government towards promoting industrial training of manpower at all levels of industry. NITA is currently filed together with PAYE returns and the funds are payable to KRA. Employers are required to register with NITA as training levy payers, pay KES 50 per month per employee at current rates and remit the same on or before the 5th day of the succeeding month. Employers who are levy-compliant are reimbursed in part or full for training costs incurred on employees based on levy terms and conditions.

05

Higher Education Loans Board (HELB)

The Higher Education Loans Board (HELB) is higher education financing in form of student loans charged to employees who pursued higher education in recognized institutions. It is a requirement for employers when recruiting and onboarding a new employee to ascertain if the employee is a beneficiary of HELB funding and inform HELB accordingly. Employers have three obligations to HELB, namely; to disclose, deduct and discharge payments to HELB. Employers are required to remit HELB contributions deducted from salaries paid to their employees on or before the 15th day of the succeeding month. Engage our Payroll Management Team at Njoka Mukami consulting to ensure your company is compliant. Visit www.njokamukamiandcompany.co.ke or call us on 0727 817 858/0798 629536 for expert advice on statutory deductions in Kenya and handling employee onboarding.

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