

SPECIAL ISSUE

Kenya Gazette Supplement No. 100 (National Assembly Bills No. 20)



REPUBLIC OF KENYA

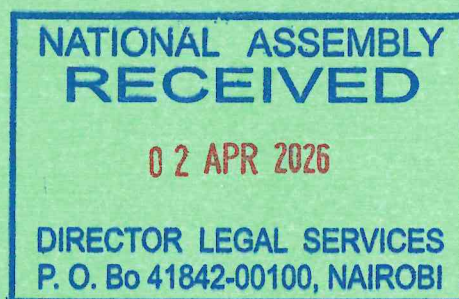
KENYA GAZETTE SUPPLEMENT

NATIONAL ASSEMBLY BILLS, 2026

NAIROBI, 2nd April, 2026

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NATIONAL ASSEMBLY
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THE INCOME TAX (AMENDMENT) BILL, 2026

A Bill for

AN ACT of Parliament to amend the Income Tax Act and for connected purposes

ENACTED by the Parliament of Kenya, as follows—

PART I – PRELIMINARY

1. This Act may be cited as the Income Tax (Amendment) Act, 2026.

Short title.

2. Section 7 of the Income Tax Act (hereinafter referred to as the “principal Act”) is amended in subsection (1) by inserting the following new paragraph immediately after paragraph (b) —

Amendment of section 7 of Cap. 470.

(c) notwithstanding paragraphs (a) and (b), a transfer of property by a company to its shareholders under paragraph 6(2) (i) of the Eighth Schedule shall not be deemed to be a distribution for the purposes of this Act.

3. The Eighth Schedule to the principal Act is amended in item 6—

Amendment of Eighth Schedule to Cap. 470.

(a) by inserting the following new subparagraph immediately after subparagraph (2) (h)—

(i) by the transfer of property by a company to its shareholders as part of an internal reorganisation, or on the transfer of property to the company by the shareholders as consideration for the transfer pursuant to this paragraph, provided that—

(I) the property is transferred to the shareholders in proportion to their shareholding in the company immediately before the transfer; and

(II) where the property consists of shares, such shares relate to a subsidiary of the company undertaking the transfer.

(b) by inserting the following sub paragraph immediately after subparagraph (2)—

(2A) For the purposes of this subparagraph, internal reorganization means a restructuring of the ownership or control of a company or its assets which does not involve a transfer of property to a third party.

MEMORANDUM OF OBJECTS AND REASONS

Statement of the Objects and Reasons for the Bill

The principal object of this Bill is to amend the Income Tax Act to provide for exemption of capital gains tax in the transfer of property by a company to its shareholders as part of an internal reorganization, or on the transfer of property to the company by the shareholders as consideration for the transfer.

Statement on the delegation of legislative powers and limitation of fundamental rights and freedoms

This Bill does not delegate legislative powers to the Cabinet Secretary and does not limit fundamental rights and freedoms.

Statement of how the Bill concerns county governments

The Bill does not concern county governments in terms of Article 110(1) of the Constitution.

Statement as to whether the Bill is a money Bill within the meaning of Article 114 of the Constitution

The enactment of this Bill may occasion additional expenditure of public funds.

Dated the 2nd April, 2026.

KIMANI KURIA,
Member of Parliament.