

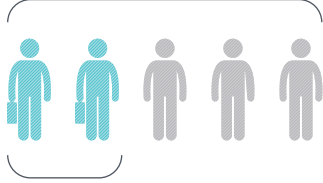
Digital Payments Taxation Factsheet: KENYA



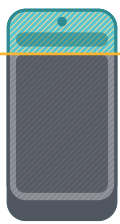
1 Why are digital payments important for Kenya?

Digital financial services are growing in Kenya and play an important role in supporting the financial inclusion of the poor.

Total population: **53.8 million**



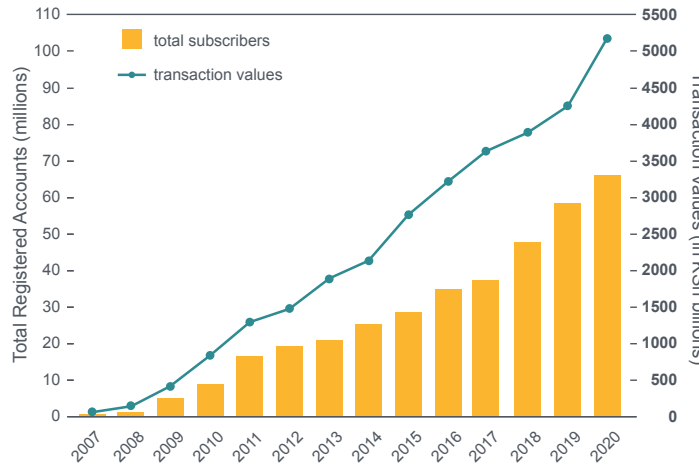
Working age (15-64) population: **23.7 million¹**



79%

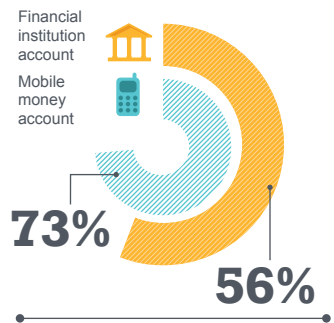
of adults are using digital payments

Growth in mobile money usage²

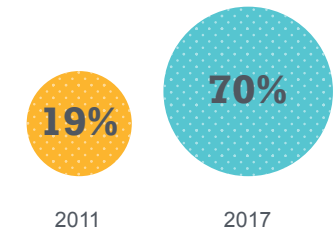


In 2021, an average of **6 million mobile money transactions** were conducted daily

Financial services use by the total adult (15+) population³:



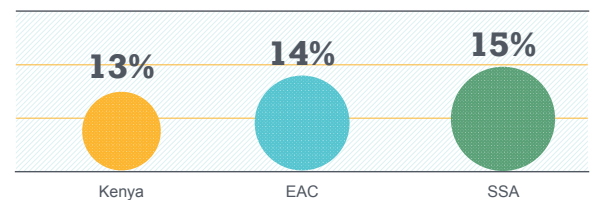
Access to financial accounts by the poor^a:






2 How are digital payments taxed?

In 2018, the Kenyan Government increased the excise tax on money transfer services by banks and on mobile phone-based financial transactions.

Tax to GDP ratio 2020⁴



Rate	Tax
 20%	Excise duty on money transfer services by banks, money transfer agencies and other financial service providers
 12%	Excise duty on money transfer fees by cellular phone service providers
 0%	No value-added tax applied to financial or mobile money services

a. Poorest 40% of the population

3

What do these taxes contribute to government revenue?

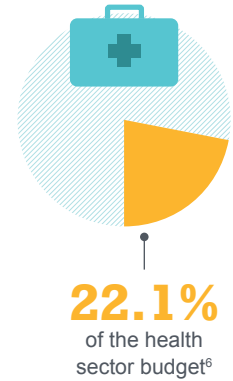
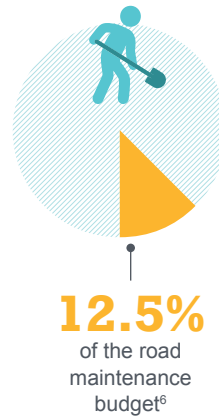
In 2020/2021 total revenue collected from all taxes was:

1.6 trillion KSh (14 billion USD)⁵

Taxes on all bank charges and mobile money contributed:

22.6 billion KSh (1.4% of total revenue)

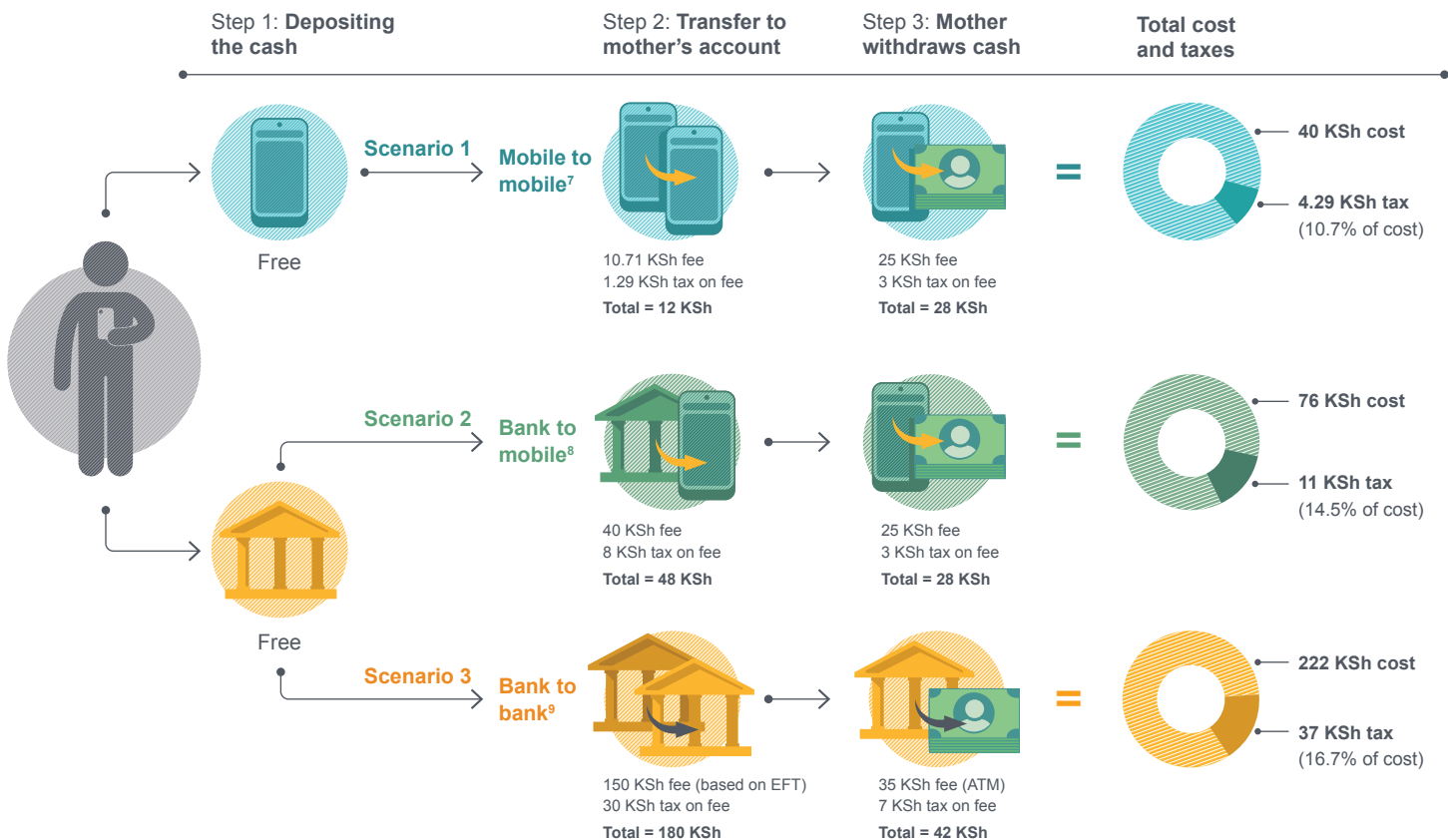
This is the equivalent of:



4

What do these taxes mean in practice?

Grace has received her monthly salary and wants to send 560 KSh (4.98 USD) to her mother in the village for upkeep. She prefers to use digital payment methods because they are faster and more secure. But should she do a bank transfer or a mobile money transfer? She decides to compare the options:



Data sources:

1. Population: World Bank World Development Indicators (2020)
2. Growth in mobile money usage: Central Bank of Kenya (2021)
3. Financial services use in the total population: World Bank Global Financial Inclusion database (2017)
4. Tax to GDP ratio: United Nations University UNU-WIDER Government Revenue Dataset (2020)
5. All government revenue data: OECD Statistics, details of Public Revenues, Kenya (2019)
6. Budget items: The National Treasury and Planning (2021)

7. Mobile to mobile tariffs: Safaricom, M-Pesa tariffs (January 2022)
8. Bank to mobile: Standard Chartered Kenya online banking tariffs (September 2021)
9. Bank to bank: Standard Chartered Kenya electronic fund transfer tariffs and ATM withdrawal (September 2021)