Kenya – Singapore Double Taxation Agreement, 2025

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Background

On September 23rd 2024, Kenya and Singapore signed a new Agreement between the Government of Kenya and the Government of Singapore for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance ("DTA").

This new DTA replaces the earlier agreement signed on 12 June 2018.

On February 11th 2025, Cabinet approved the agreement with Singapore for the elimination of Double Taxation with respect to taxes on Income and the prevention of tax evasion and avoidance allowing for the formal ratification process to begin.

The DTA clarifies the taxing rights of both countries on all forms of income flows arising from cross-border business activities, and addresses the double taxation of such income. This will lower barriers to cross-border investment and boost trade and economic flows between the two countries.

What Next?

The Agreement shall be presented to the Kenyan Parliament for consideration and approval. This will be followed by a period of public participation to allow for feedback and input from stakeholders.

Once Parliament approves the Agreement, it will be officially ratified in Kenya. However the DTA also needs to be ratified by Singapore to unlock the benefits outlined in the DTA paving the way for greater economic cooperation between Kenya and Singapore.

What are the benefits?

- Withholding taxes rates on dividends, interest, royalties, and technical fees as outlined in the Article 10,11, 12, and 13 respectively have been revised downwards. The table below shows the provisions and applicable rates before the agreement and expected.

Provision	Normal non-resident	Rate under DTA	Article
Dividends	15%	8%	10
Interest	15%	10%	11
Royalties	20%	10%	12
Technical fees	20%	10%	13

- Article 5 of the of the agreement is factoring in the aspect of Permanent Establishments. It provides for tests that determine when a resident of one contracting state may be considered to have a taxable presence in the other by establishing the time period in which an entity has existed in member states jurisdiction. These tests include a 6-month period for construction-related activities, 183 days for providing services, and 91 days for activities connected to natural resource exploration or exploitation, or for installations used in such activities, all within any 12-month period.

- The treaty aims to eliminate double taxation, meaning that income earned in one country by a resident of the other country should only be taxed once. This reduces the tax burden on businesses operating across borders and encourages cross-border investment.

- By offering more favorable tax treatment to Singaporean investors, the treaty will attract more foreign investment to Kenya, which will definitely boost economic growth and development.

- We will keep an eye out for further developments including the ratification of the treaty in Singapore which will enable the full implementation of the agreement.

How can Grant Thornton Taxation Services Limited assist you?

Grant Thornton Taxation Services Limited (GTTSL) we are more than willing and happy to help you understand how the DTA once ratified will be of benefit to your business.

Kindly get in touch with our team below.

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