



**NCBA**

# FY 2026/27 BUDGET:

NAVIGATING EXTERNAL SHOCKS, DEBT  
CONSTRAINTS, AND THE GROWTH IMPERATIVE



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# FY 2026/27 BUDGET: NAVIGATING EXTERNAL SHOCKS, DEBT CONSTRAINTS, AND THE GROWTH IMPERATIVE



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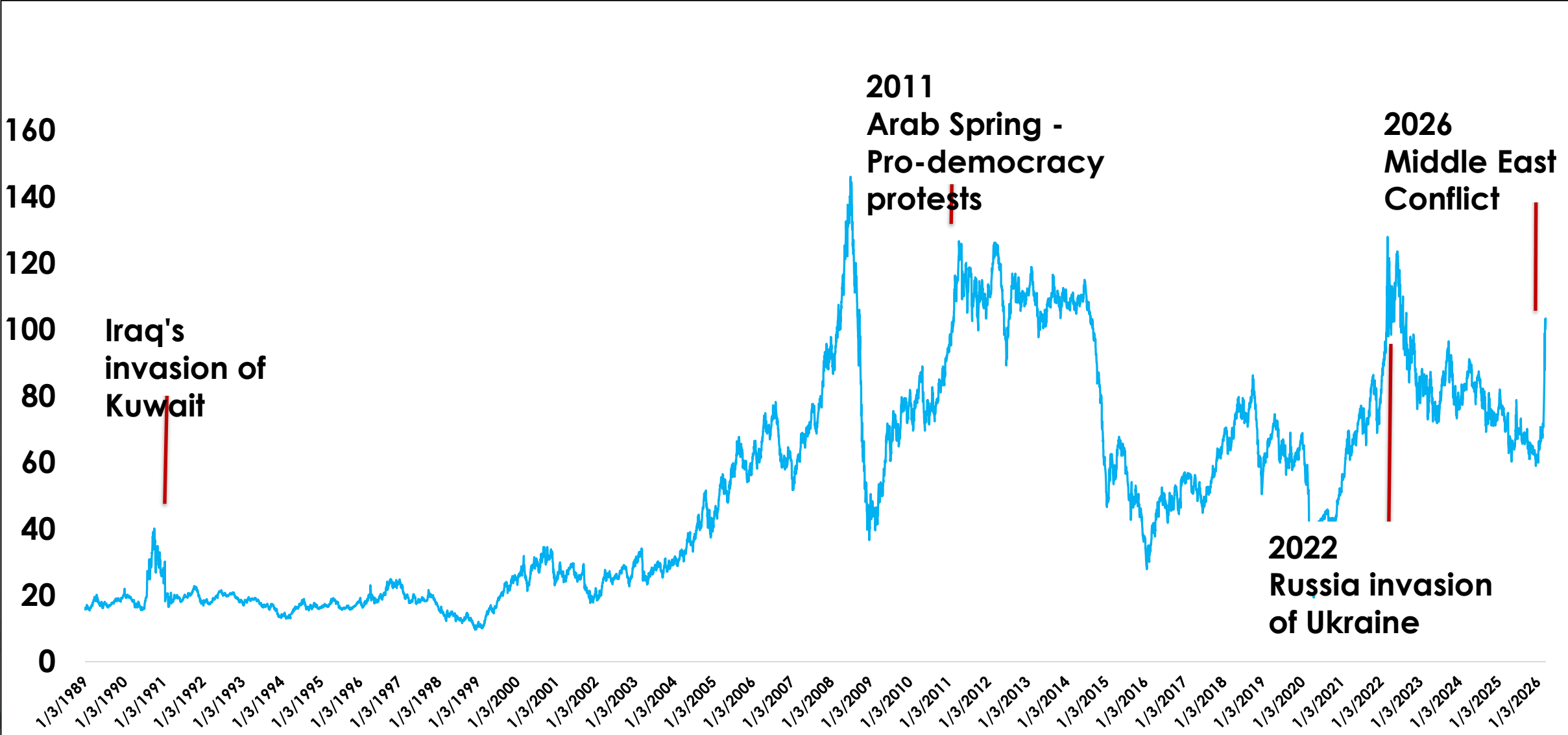
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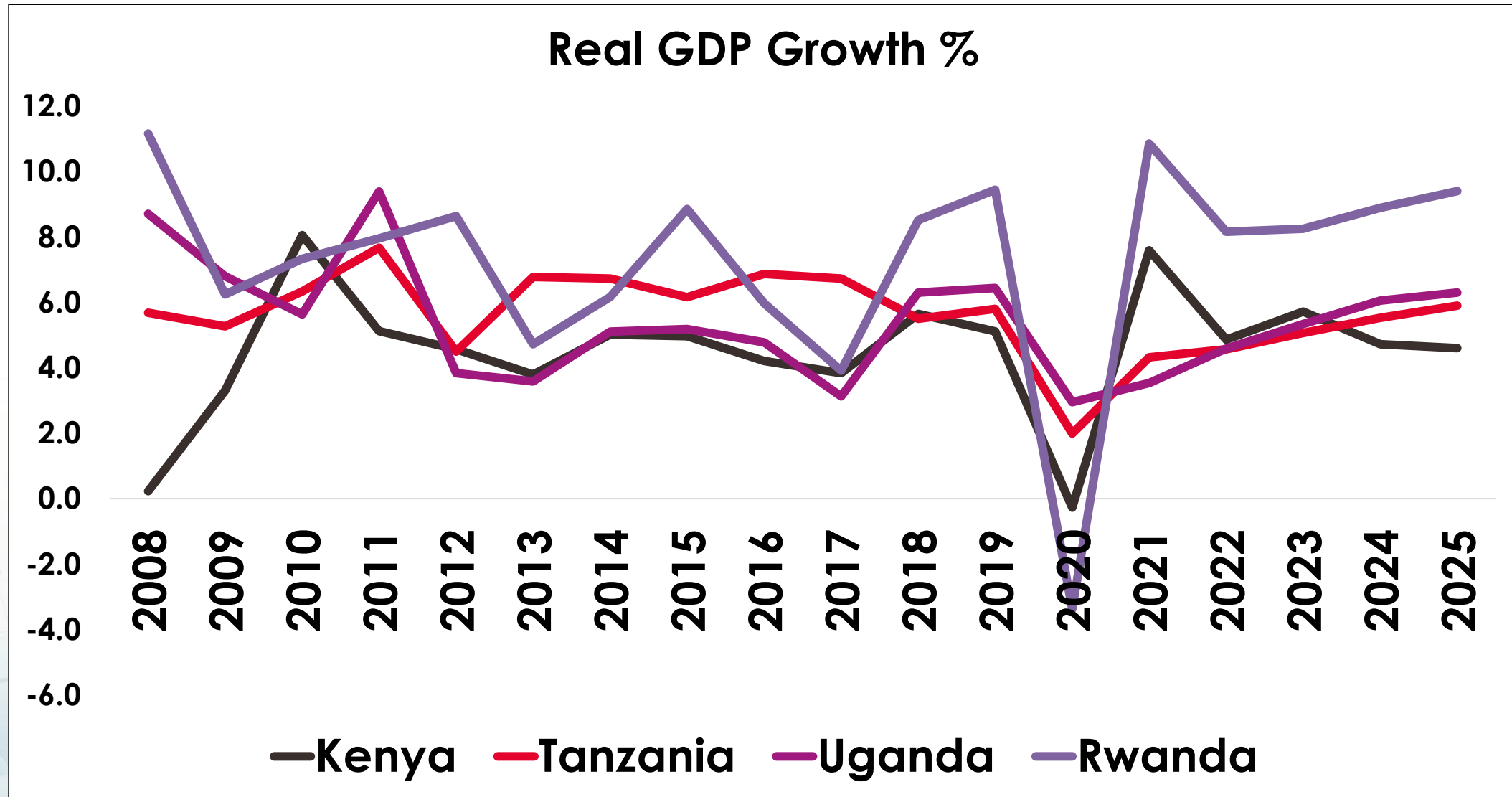


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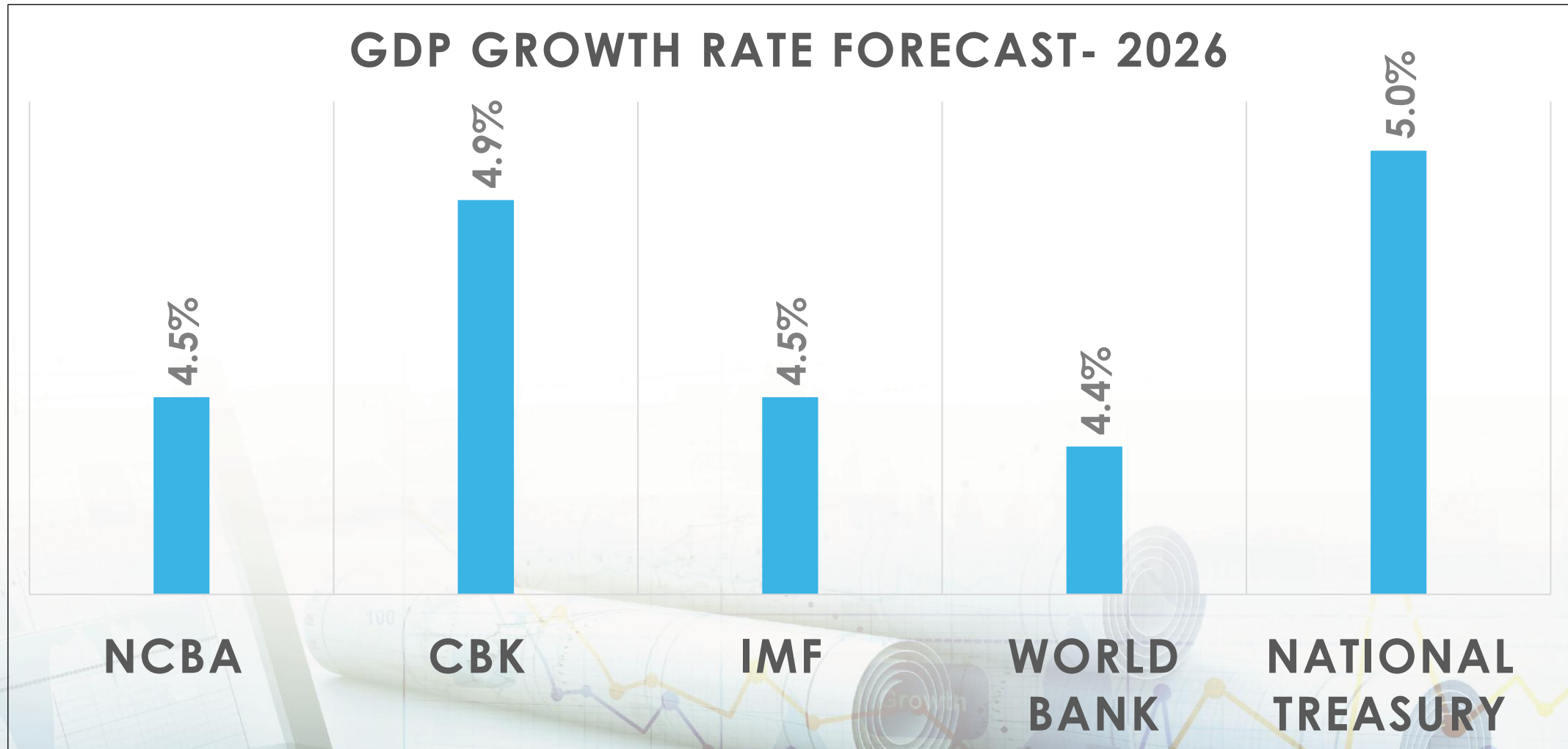
# THE WORLD IS IN THE MIDDLE OF THE WORST OIL SHOCK



# DESPITE EXTERNAL SHOCKS, THE EAC SEEMS TO EMERGE RESILIENT WITH FEW POCKETS OF VULNERABILITY

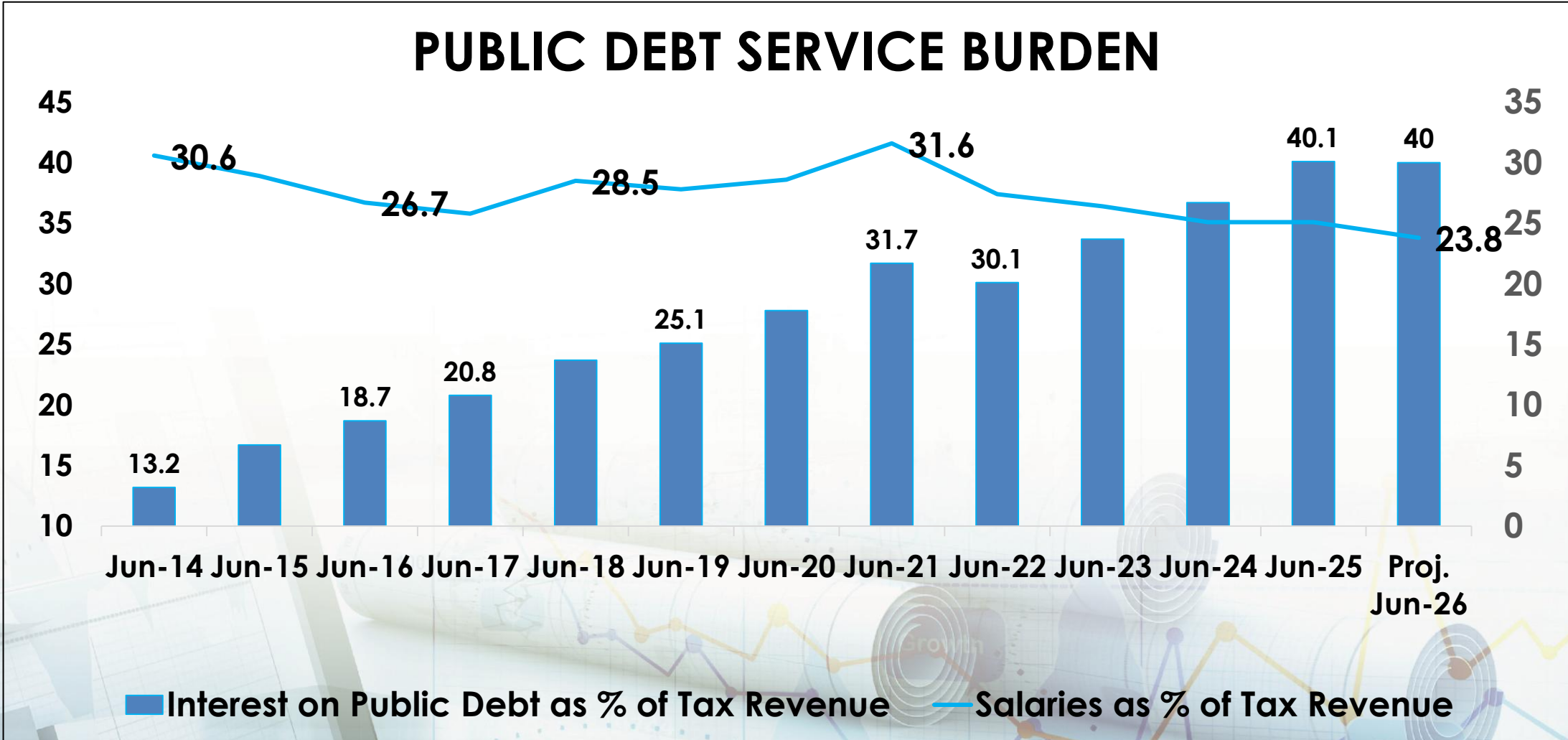


# HOWEVER, THE SEEMINGLY UNENDING WAR HAS LED TO A RECAST OF KENYA'S GDP GROWTH RATE IN 2026





# THUS, NEED FOR GROWTH-FRIENDLY POLICIES. HOWEVER, POLICY SPACE IS LIMITED



# THEREFORE, KENYA'S MACROECONOMIC OUTLOOK IS LUKEWARM BUT QUITE VULNERABLE TO RAGING RISKS



INDICATOR	MAR 2025	DEC 2025	MAR 2026	DEC 2026
GDP Growth Rate	4.9	4.6	4.8	4.0 - 4.5
Private sector credit growth-%	0.2	5.3	8.1	7.0 - 8.0
Inflation rate	3.6	4.5	4.4	6.0 - 7.5
FX Reserves (import cover)	5.1	5.3	6.0	4.5 - 5.0
USD / KES Exchange rate	129.3	129.1	129.50	131-132
Central Bank Rate	10.75	9.00	8.75	8.50 -9.00

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**Sandeep Main**  
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# NCBA 2026/2027 Economic Forum Presentation

June 2026

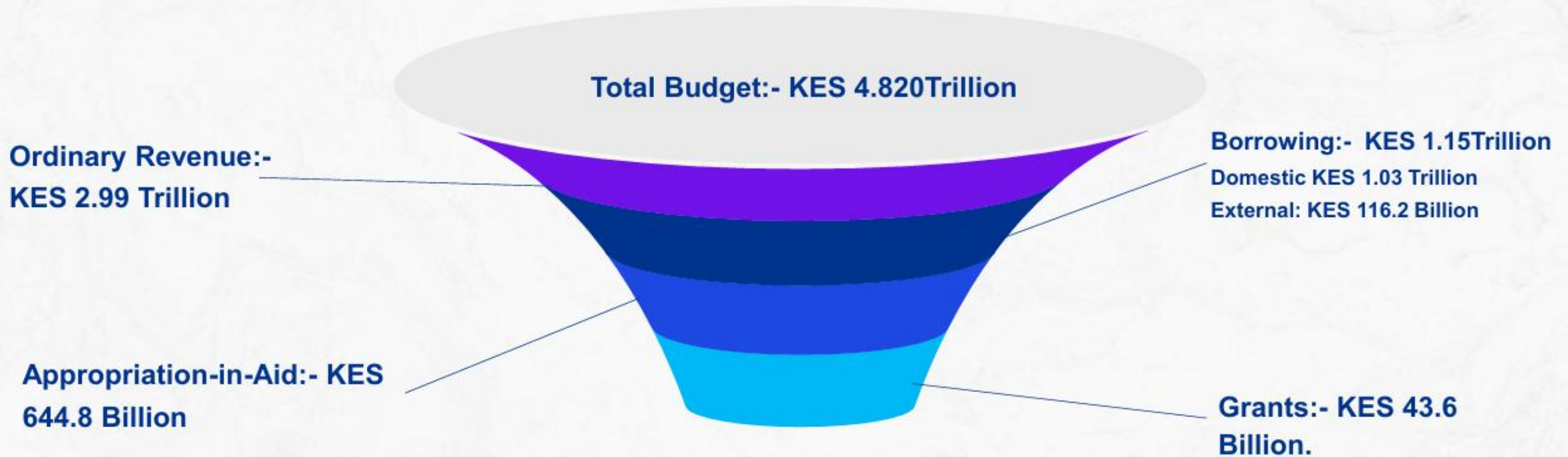


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## 2. Kenya's 2026/2027 Budget highlights

- On 11 June 2026, the Cabinet Secretary for the National Treasury and Economic Planning presented Kenya's FY2026/27 Budget Statement under the theme "Sustaining the Bottom-Up Economic Transformation Agenda for Resilient and Inclusive Growth amid Global Uncertainty."
- The Budget focuses on sustaining economic growth, strengthening fiscal discipline, enhancing domestic revenue mobilisation and advancing the Government's development agenda. It also introduces a number of significant tax, fiscal and regulatory proposals that may affect businesses and investors operating in Kenya.



# 3. Sector Allocation

- In terms of allocation, the budget exemplified the government's aim to increase its investment in 5 strategic sectors as follows:
  - Agricultural transformation for inclusive green growth;
  - Micro, Small and Medium Enterprises (MSMEs);
  - Housing and settlement;
  - Universal Healthcare Coverage; and
  - Digital superhighway and creative industry.
- A total of **KES 395.15 billion** has been allocated to the 5 strategic sectors in the FY 2026/27 as follows:

Sector	Allocation
Universal healthcare coverage	<b>KES 177.2 billion</b>
Housing and settlement	<b>KES 143.7 billion</b>
Agricultural transformation and inclusive growth	<b>KES 64 billion</b>
Digital superhighway and creative economy	<b>KES 8.6 billion</b>
Transforming MSME economy	<b>KES 1.65 billion</b>

• Other key allocations to thematic areas include:

Education – **KES 784.5 billion**

National security - **KES 567.3 billion**

Infrastructure development - **KES 220.4 billion**

Environmental Protection, Water and Natural Resources - **KES 124.8 billion**

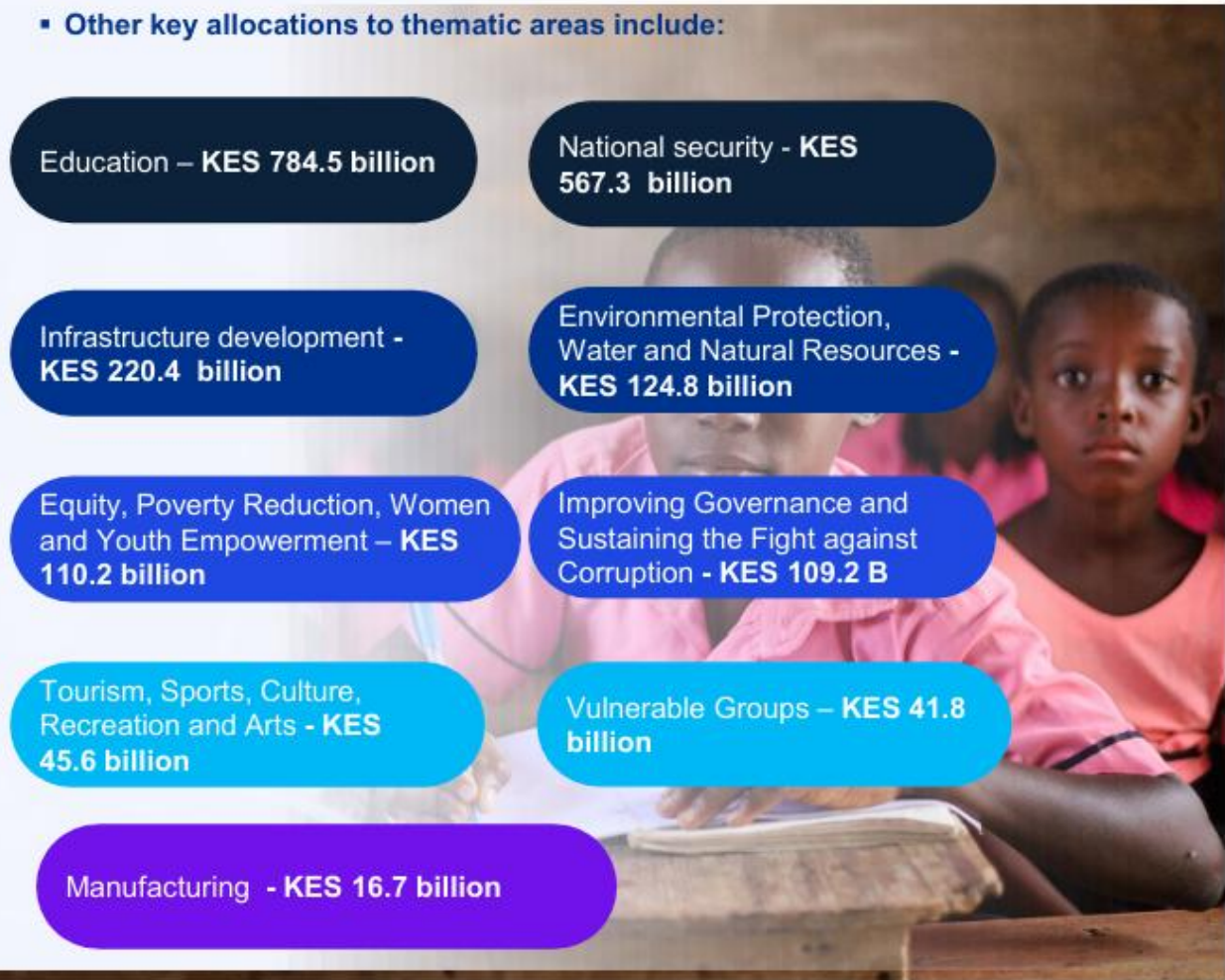
Equity, Poverty Reduction, Women and Youth Empowerment – **KES 110.2 billion**

Improving Governance and Sustaining the Fight against Corruption - **KES 109.2 B**

Tourism, Sports, Culture, Recreation and Arts - **KES 45.6 billion**

Vulnerable Groups – **KES 41.8 billion**

Manufacturing - **KES 16.7 billion**



# 3.1. Sector Comparison

To check the progress of the Bottom-Up Economic Transformation Agenda across the highlighted sectors, the table below compares the changes between FY 2024/25, FY 2025/26 and FY 2026/27 which are as follows:-

Strategic Areas	FY 24/25	FY 25/26	FY 26/27	%Change
Transforming MSME economy	KES 5 billion	KES 7.5 billion	KES 1.65 billion	-78% ↓
Housing and settlement	KES 92.1 billion	KES 128.3 billion	KES 143.7 billion	12% ↑
Universal healthcare coverage (UHC)	KES 127 billion	KES 138.1 billion	KES 177.2 billion	28.3% ↑
Digital superhighway and creative economy	KES 16.3 billion	KES 12.7 billion	KES 8.6 billion	- 32.2% ↓
Agricultural transformation and inclusive growth	-	KES 47 billion	KES 64 billion	36.1% ↑

# 4. Key highlights from the Kenya Finance Bill 2026

The 4th Finance Bill under the Kenya Kwanza Administration aims to get to the projected KES 2.9 Trillion Ordinary Revenue by proposing changes to the various tax laws and in line with the National Tax Policy and Medium-Term Revenue Strategy as follows:-



## Income Tax

1. Expansion of definition of management or professional fees and royalties.
2. Deemed dividend on undistributed profits (60%).
3. Removal of 5% preferential dividend withholding tax rate for EAC citizens.
4. Revision of Income Tax return filing timelines
  - **Nil returns:** Within 1 month after the financial year ends.
  - **Income fully taxed at source:** Within 4 months after the financial year ends.
  - **All other returns** Within 6 months after the financial year ends.



## Tax Procedures

1. Reintroduction of Tax amnesty
2. Prepopulated Tax returns
3. Enforcement of assessments and judgments in absence of a stay order



## Value Added Tax

1. VAT on money transfer services by Payment Service Provider .
2. Dialyzers to be exempt from VAT
3. Claim on VAT on for bad debts moved back to 3yrs from 2yrs
4. Zero rated to exempt;
  - electric buses, bicycles and motorclyes;
  - Raw material for manufacture of animal feeds
  - Locally assembled phones



## Excise Duty

1. Replacing multiple taxes and levies with a single 25% excise duty rate at the point of activation of mobile phones.
2. Removal of excise duty of KES 6.41 per litre on bottled water
3. KES 80 per litre Excise duty will apply to all purchasers of spirits of undenatured extra neutral alcohol exceeding 90%,
4. Goods from EAC like kraft paper, glass now to be subject to excise
5. Locally manufactured plastics to have excise at 10%

# 5.

# The Medium Tax Revenue Strategy Implementation

Progress Achieved	Delayed Reforms	Key Challenges
<ul style="list-style-type: none"> <li>Gaming taxes shifted to deposits/withdrawals</li> <li>VAT on fuel increased (8% → 16%)</li> <li>Expansion to digital economy (SEPT, crypto tax, digital content WHT)</li> <li>Corporate tax changes (branches: 30% + 15% repatriation tax)</li> <li>Rollout of eTIMS electronic invoicing system</li> </ul>	<ul style="list-style-type: none"> <li>Corporate tax reduction (30% → 28%) not implemented</li> <li>VAT reduction (16% → 15/14%) delayed</li> <li>Some VAT expansions such as education, insurance reconsidered</li> <li>Delays in system integration across government</li> </ul>	<ul style="list-style-type: none"> <li>Revenue shortfalls limiting tax relief measures</li> <li>Public resistance, including Finance Bill 2024 protests)</li> <li>Administrative capacity constraints (eTIMS rollout)</li> </ul>



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