

Nonprofit Law in Kenya

Current as of June 2024

This section describes the legal framework governing nonprofit organizations (also known as non-governmental organizations or NGOs) in Kenya and includes translations of legislative provisions relevant to a foundation or advisor undertaking an equivalency determination of a foreign grantee under IRS Revenue Procedure 92-94.

These reports have been prepared by the [International Center for Not-for-Profit Law](#) (ICNL). Please direct corrections and comments to [Lily Liu](#).

We include hyperlinks to the following information, to the extent available:

- Longer country reports analyzing various aspects of local legislation; and
- Texts of local laws that affect the decision whether or not to qualify a grantee (generally in translation, although ICNL and the Council cannot warrant the accuracy of any translation; in addition, legislative excerpts were selected by in-country contacts, and ICNL and the Council cannot warrant that all relevant provisions have been translated).

Table of Contents

- I. [Summary](#)
 - A. [Types of Organizations](#)
 - B. [Tax Laws](#)
- II. [Applicable Laws](#)
- III. [Relevant Legal Forms](#)

- A. [General Legal Forms](#)
 - B. [Public Benefit Status](#)
- IV. [Specific Questions Regarding Local Law](#)
 - A. [Inurement](#)
 - B. [Proprietary Interest](#)
 - C. [Dissolution](#)
 - D. [Activities](#)
 - E. [Political Activities](#)
 - F. [Discrimination](#)
 - G. [Control of Organization](#)
- V. [Tax Laws](#)
 - A. [Income Tax Exemptions](#)
 - B. [Deductibility of Charitable Contributions](#)
 - C. [Value Added Tax](#)
 - D. [Import/Customs Duties](#)
 - E. [Double Tax Treaties](#)

I. Summary

A. Types of Organizations

Kenya is a Commonwealth country with a common law system. In May 2024, Kenya officially began implementing the Public Benefit Organizations (PBO) Act of 2013, which repeals the Non-Governmental Organizations (NGO) Coordination from 1990. The Cabinet Secretary, in consultation with the PBO Authority, is empowered to make regulations to facilitate the implementation of the PBO Act. This Note will be periodically updated to capture relevant developments on these regulations.

The types of not-for-profit organizations ("NPOs") in Kenya are:

- Public Benefit Organizations (PBOs) (formerly known as Non-Governmental Organizations (NGOs)).
- Companies Limited by Guarantee;
- Societies; and
- Trusts.

Other not-for-profit legal forms, which are outside the scope of this Note due to their limited interaction with U.S. grant makers, include churches, political parties, and trade unions.

B. Tax Laws

Kenya exempts from corporate income tax the income of certain NPOs that carry out specific types of activities. Unrelated business income is subject to tax under certain circumstances. Kenya also subjects certain sales of goods and services to VAT, with a fairly broad range of exempt activities. The tax laws confer only limited tax benefits on corporate donors and individual donors.

II. Applicable Laws

- [The Constitution of Kenya](#) [2010]
- Constitution of Kenya (Supervisory Jurisdiction and Protection of Fundamental Rights and Freedoms of the Individual) High Court Practice and Procedure Rules [2006] [\[1\]](#)
- The Constitution of Kenya (Protection of Rights and Fundamental Freedoms) Practice and Procedure Rules [2013]
- [The Public Benefit Organizations Act](#) [2013]
- The Companies Act [2015]
- The Insolvency Act [2015]
- [The Societies Act, Chapter 108 of the Laws of Kenya](#) [1998]
- [The Trustees \(Perpetual Succession\) Act, Chapter 164 of the Laws of Kenya](#) [1981]
- [The Trustee Act, Chapter 167 of the Laws of Kenya](#) [1929]

- The Value Added Tax Act (Act No. 35 of 2013)
- [The Income Tax Act, Chapter 470 of the Laws of Kenya](#) [1989]
- East African Customs Management Act [2004]
- Excise Duty Act [2015]
- The Employment Act [2007]
- The Basic Education Act [2013]
- The HIV and AIDS Prevention and Control Act [2006]
- The Political Parties Act [2011]
- The Universities Act, Act No. 42 [2012]

III. Relevant Legal Forms

A. General Legal Forms

Kenyan law provides for various types of NPOs, including public benefit organizations (PBOs), companies limited by guarantee, societies, and trusts.

PBOS

In May 2024, the Cabinet Secretary for Interior and National Coordination officially commenced implementation of the 2013 PBO Act through Legal Notice No. 78 of 2024. The PBO Act repeals the NGO Coordination Act and creates a new legal framework for NPOs engaged in public benefit activities in Kenya.

A PBO is a voluntary membership or non-membership group consisting of individuals or organizations. A PBO is autonomous, non-partisan, and non-profit, and is:

- a. Organized and operated locally, nationally, or internationally [\[2\]](#)
- b. Engaged in public benefit activities in any area set out in the Sixth Schedule of the PBO Act; and
- c. Registered as a PBO by the Public Benefit Organizations Regulatory Authority (the “**Authority**”) (PBO Act Section 5).

An activity furthers the “public benefit” if it enhances or promotes economic, environmental, social, or cultural development; protects the environment; undertakes lobbying or advocacy on issues of general public interest; or promotes the well-being of the general public or a category of individuals or organizations (PBO Act Section 2(1)). Section 5(2) of the PBO Act specifically excludes certain types of organizations from qualifying as a PBO, including trade unions, political parties, and religious organizations.

All NGOs registered under the repealed NGO Act shall be deemed to be registered as PBOs under the PBO Act but must formally apply for registration under the PBO Act by May 2025. The PBO Authority will notify NGOs that do not formally apply after this deadline passes; if these organizations do not register within thirty days of receiving such notice, they will lose PBO status (PBO Act Fifth Schedule paragraph 5(1)(2)). NGOs that were exempt from registration under the NGO Act must apply to register as PBOs by August 2024.

Companies Limited by Guarantee

A number of NPOs are registered as companies whose liability is limited by the guarantee of the members. A company limited by guarantee under the Kenyan Companies Act [2015] must be incorporated without a share capital; the liability of its members must be limited by the company’s articles to a specific amount (usually a nominal amount) that the members undertake to contribute to the assets of the company in the event of a liquidation; and its certificate of incorporation must state that it is a company limited by guarantee. A company limited by guarantee cannot be a private company (Kenyan Companies Act Section 9). Because a company limited by guarantee cannot have share capital, it also does not meet the definition of a “public company” under Section 10 of the Companies Act.

The Act also requires that a company limited by guarantee must attach a statement of guarantee containing the prescribed information to enable the memorandum of association's subscribers to be identified (Companies Act Section 15).

Societies

Under the Societies Act, a society is "any club, company, partnership or other association of ten or more persons, whatever its nature or object, established in Kenya or having its headquarters or chief place of business in Kenya" (Societies Act Section 2). A branch of a society also qualifies as a society. The definition specifically excludes companies; trade unions and their branches; cooperatives; corporations; firms, associations, or partnerships carrying on business for profit; schools; building societies; banks or international organizations of which Kenya is a member. Societies are registered and regulated by the Registrar of Societies.

Trusts

A trust is an entity created to hold and manage assets for the benefit of others. While trusts could previously be established only for religious, educational, literary, scientific, social, athletic, or charitable purposes, the Trustees (Perpetual Succession) (Amendment) Act allows any person or body of persons who have lawfully constituted themselves for purposes of forming a trust to apply to the Registrar of Companies for a certificate of incorporation.

The amendments also introduce and define categories of trusts that can be registered under the Trustees Act. Most relevant to equivalency determinations, the Amendment establishes the "charitable trust." These are trusts formed for the exclusive purpose of the relief of poverty, the advancement of education, religion or human rights and fundamental freedoms, or the protection of the environment or any

other purpose beneficial to the general public. A trust is deemed to be charitable if (i) the charitable objects may be pursued in Kenya or elsewhere; (ii) the objects are beneficial to the general public or a section of the public; (iii) the trust is discretionary; and (iv) the trustee has the power to defer distribution of the assets of the trust to any charity or other beneficiary of the trust for a period not exceeding the duration of the trust (Trustees Act Cap 164 section 3B).

B. Public Benefit Status

With the commencement of the PBO Act in May 2024, organizations that serve the public benefit may now be registered as a PBO. A “public benefit activity” is “an activity that supports or promotes public benefit by enhancing or promoting the economic, environmental, social or cultural development or protecting the environment, or lobbying or advocating on issues of general public interest or the interest or well-being of the general public or a category of individual or organizations” (PBO Act Section 2).

An organization may be registered as a PBO by the Public Benefit Organizations Regulatory Authority if its objective is the promotion of public benefit in any of the following areas listed in the Sixth Schedule of the PBO Act. These include legal aid; agriculture; children; culture; disability; energy; education; environment and conservation generally; gender; governance; poverty eradication; health; housing and settlement; human rights; HIV/AIDS; information; informal sector; old age; peace building; population and reproductive health; refugees; disaster prevention, preparedness and mitigation; relief; pastoralism and the marginalized communities; sports; water and sanitation; animal welfare; and youth.

The PBO Act permits an organization to register under any of a variety of legal forms, but only an organization registered as a PBO under the PBO Act would receive tax exemptions and other benefits derived from

registration under the PBO Act. An organization registered under both the PBO Act and any other law shall be deemed to be registered under the PBO Act and the registration under the other law will be invalid (PBO Act Section 6(4); see also PBO Act Second Schedule, setting forth in detail some of the “Benefits of Registration” as a PBO).

Specific Questions Regarding Local Law

The regulatory scheme for NPOs in Kenya is complex, combining substantive and procedural statutes, common law rules embodied in case law, and administrative practices. [\[3\]](#) In addition, Kenyan legislation provides for organizations to be substantially regulated through the enforcement of their founding or constitutional documents. Within this context, the Note examines issues of local law relevant to equivalency determinations.

A. Inurement

PBOs

A “public benefit organization” is by definition “non-profit making.” Strictly speaking, the PBO Act permits organizations to raise “profits” (earnings, less expenses) through donations of cash, securities, and in-kind contributions; bequests; membership fees; gifts; grants; real or personal property; and income generated from any lawful activities undertaken by the public benefit organization with its property and resources which must be used solely for the public benefit purposes of the organization (PBO Act Section 65).

Other NPOs

The rules of a society must stipulate the purpose for which funds can be used, and must prohibit the distribution of funds to members (Societies Act First Schedule Para. 11). However, Kenyan law does not specify particular language for these clauses.

Kenyan law does not require trusts or companies to prohibit inurement.

B. Proprietary Interest

PBOs

A PBO's constitution must state that "the organization's income and property are not distributable to any person, except as reimbursement of reasonable expenses or payment of reasonable compensation for services rendered" (PBO Act Section 8(4)(a)(iv)).

Other NPOs

Kenyan law does not explicitly require companies, societies, or trusts to prohibit proprietary interest.

C. Dissolution

PBOs

Under the PBO Act, when an organization is deregistered, wound up, or dissolved, any assets remaining after all its liabilities have been met shall be transferred to another PBO having similar objectives, which shall be identified through a resolution of the governing body of the organization being deregistered, wound up, or dissolved; otherwise, the PBO Authority shall determine the recipient PBO (PBO Act Section 8(4)(m)).

Companies Limited by Guarantee

The Insolvency Act 2015 has repealed the provisions of Chapter 486, the Companies Act chapter on insolvency. The Insolvency Act amends and consolidates the laws relating to the insolvency of incorporated and unincorporated bodies which were previously provided for under Chapter 486.

Under the Insolvency Act, companies limited by guarantee may be liquidated either voluntarily or by order of the High Court. At liquidation, the following debts must be paid out in priority to all unsecured debts (Insolvency Act Second Schedule):

1. First, all the expenses of the liquidation including the remuneration of the liquidator and the reasonable costs incurred by the person who applied to the Court to place the company into liquidation. In the case of a creditor who protects or preserves assets of the company for the benefit of the company's creditors by payment of money or giving an indemnity, expenses are to include the amount received by the liquidator by the realization of those assets up to the value of that creditor's unsecured debt and the amount of the costs incurred by that creditor in protecting, preserving the value of, or recovering those assets;

2. Second, (1) any employees' (excluding directors or their nominees, relatives, or trustees) wages or salary in respect of the four months prior to the commencement of the liquidation; any holiday pay; any compensation for redundancy that accrues before or because of the commencement of the liquidation; any amounts deducted from wages or salaries by the company to satisfy obligations to other persons (including tax); any reimbursement or payment provided for or ordered by the Employment and Labour Relations Court, together not exceeding KES 200,000 per individual claimant or such other amount as may be prescribed from time to time; and all amounts held by a bank on behalf of the Kenya Revenue Authority (KRA), though this situation is less likely for a non-profit organization formed as a company limited by guarantee; and (2) all amounts that are by any law required to be paid in accordance with this priority by a buyer to a seller on account of the purchase price of goods;

3. Third, unpaid tax deductions under the pay-as-you-earn rules of the Income Tax Act, unpaid non-resident and resident withholding tax

deducted under the Income Tax Act, and unpaid duty payable under the Customs and Excise Act.

In the following circumstances, the following debts must be paid out in priority to certain secured debts:

1. The expenses of liquidating a company (including the remuneration of the liquidator) have priority over any claim to assets comprised in or subject to any floating charge so far as the assets of the company available for payment of general creditors are insufficient (Insolvency Act, Section 473).

2. In the event of a company under liquidation or administration or if a provisional liquidator is appointed in respect of the company, the liquidator, administrator or provisional liquidator must set aside 20 percent of the assets of the company available to satisfy the claims of any floating charge holders (net assets) for the satisfaction of unsecured debts unless the net assets are less than KES 500,000 and the liquidator administrator or provisional liquidator (as applicable) believes that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits (Insolvency Act Section 474).

Societies

Under the Societies Act, a receiver is appointed to handle the dissolution of a society (Societies Act Section 33(a)). The receiver will propose a scheme for distributing any surplus assets remaining after the satisfaction of the society's debts and liabilities and covering the cost of liquidation. This scheme must be approved by the Cabinet Secretary (Societies Act Section 34(1)). The Societies Act does not explicitly prohibit distribution of assets to members upon the society's dissolution. The priority in which debts are to be paid is the same as the priority of payment of debts for companies being dissolved, as provided under the Insolvency Act.

Trusts

The Registrar can order an incorporated trust to be dissolved if it has ceased to exist or if its objectives have become incapable of fulfillment.). Each trust provides for the method of distribution of surplus assets after dissolution.

Trusts not incorporated under the Trustees (Perpetual Succession) Act Cap. 164 are dissolved in accordance with the law of equity.

D. Activities

1. General Activities

Generally, a legal entity, upon its establishment and (where required) registration, can undertake any legal activity.

2. Economic Activities

The PBO Act allows PBOs to engage in lawful economic activities, either directly or through subsidiary entities, as long as the income is used solely to support the public benefit purposes for which the organization was established (PBO Act Section 65(1)). The income of a PBO may include donations of cash, securities, and in-kind contributions; bequests; membership fees; gifts; grants; real or personal property; and income generated from any lawful activities undertaken by the public benefit organization with its property and resources (PBO Act Section 65(2)(a)-(g)). A PBO may own and manage property and assets for the accomplishment of its not-for-profit purposes (PBO Act Section 65(3)).

Other NPOs can engage in economic activities consistent with their governing documents.

E. Political Activities

PBOs

A PBO may not engage in fundraising or campaigning to support or oppose any political party or candidate for appointed or elected public office, nor may it propose or register candidates for elected public office (PBO Act Section 66(3)).

The PBO Act requires the government to involve PBOs in policy decision-making at the local levels. This includes requiring every ministry to designate officers who will work with PBOs (PBO Section 67).

Companies Limited by Guarantee

The Companies Act does not restrict the objects of a company, hence companies are free to engage in political or legislative activities unless restricted by their constitutional documents. It is increasingly common for companies limited by guarantee to state the scope and nature of their charitable activities in their Articles of Association.

Societies

Most political parties are registered as societies. Other types of societies can engage in political activities if their governing documents permit it. However, a society cannot function as a political party until it is registered in accordance with the provisions of the Political Parties Act and meets the requirements set out under Article 91 of the Constitution (Political Parties Act 2011 Section 4). Additionally, a society in Kenya cannot affiliate with any political organization or group outside Kenya (Societies Act Section 11(1)(a)).

Trusts

The trust deed stipulates the activities that the trust can engage in.

F. Discrimination

Kenya's Constitution guarantees freedom of expression, association, assembly, and movement, and bars discrimination on the grounds of gender, race, sex, pregnancy, marital status, ethnic or social origin, color, age, disability, religion, conscience, belief, culture, dress, language or birth (Constitution of Kenya Articles 26-51).

With regard to institutions of higher education, Kenyan public and private universities are established under Section 13 of the Universities Act 2012 and individual university charters. The Universities Act 2012 and its implementing rules do not expressly bar acts of discrimination, though Section 3(2)(f) of the Act requires the universities to institutionalize non-discriminatory practices. Protection from discrimination is extended by virtue of the Constitution, as described above.

Similarly, Section 4(e) of the Basic Education Act 2013 prohibits discriminatory practices in primary and secondary educational institutions.

The Employment Act of 2007 addresses discrimination in employment by espousing (i) the promotion of equality of opportunity in employment; (ii) the elimination of discrimination in any employment policy or practice (including against prospective employees: race, color, sex, ethnic origin, HIV status, disability, pregnancy); (iii) equality in recruitment, training, promotion, terms and conditions of employment, termination of employment, or other matters arising out of the employment and (iv) the payment of equal remuneration for work of equal value (Employment Act 2007 Section 5).

The HIV and AIDS Prevention and Control Act prohibits discrimination on the grounds of actual, perceived, or suspected HIV status of a person in the workplace or in schools, or in access to loans and credit facilities (HIV and AIDS Prevention and Control Act Section 31-32).

G. Control of Organization

Kenyan law does not restrict other organizations or persons from controlling a Kenyan not-for-profit organization beyond stating that a PBO's membership is voluntary. Accordingly, a for-profit entity might establish an NPO and continue to control it. Likewise, a Kenyan NPO could be controlled or owned by an American grantor charity, which would have to be disclosed in the affidavit.

V. Tax Laws

A. Income Tax Exemptions

PBOs

PBOs are exempt from (i) income tax on income received from membership subscriptions and any donations or grants; (ii) income tax on income acquired from the active conduct of income-producing activities if the income is wholly used to support public benefit purposes for which the organization was established; (iii) tax on interest and dividends on investments and gains earned on assets or the sale of assets; (iv) stamp duty; and (v) court fees (This is pursuant to the PBO Act Second Schedule Para 1(a)).

Other NPOs

For its income to be exempt from income tax, an organization must have been established solely to relieve poverty or distress of the public, or to advance religion or education. In addition, the Commissioner of Income Tax ("Commissioner") must conclude that the income is expended either wholly within Kenya or in ways that benefit the residents of Kenya ([Income Tax Act First Schedule Cap. 470 Para. 10](#)).

Income consisting of profits from a business is subject to an additional restriction. Such income is exempt from tax only if it meets the criteria in the previous paragraph *and* if one of the following is true:

- (a) The business is carried on in the course of advancing the organization's stipulated purposes; or
- (b) The work in connection with the business is mainly conducted by beneficiaries of those purposes; or
- (c) The gains or profits consist of rents (including premiums or similar consideration in the nature of rent) received from leasing or letting of land and attendant chattels ([Income Tax Act First Schedule Cap. 470](#)).

Once issued, tax exemption certificates are valid for a period of five years and are subject to renewal. The renewal certificate is to be issued within 60 days of lodging the application. The Cabinet Secretary may also revoke an exemption on the basis of any just cause (Income Tax Act First Schedule Para. 10 as amended by Section 23 of Finance Act, 2012). [\[4\]](#)

Such tax exempt bodies may charge fees for services rendered without being deemed as carrying out business activities provided that the income generated is exclusively for carrying out its activities that benefits the public.

These rules affect trusts, churches, and other charitable organizations involved in relief, education, and religious activities. It remains to be seen how the PBO Authority will implement the tax benefits for PBOs under the PBO Act. This Note will be periodically updated to include developments on this front.

B. Deductibility of Charitable Contributions

A person can deduct from their taxable income any donations to (1) a charitable organization whose income is exempt from tax under paragraph 10 of the First Schedule to the Income Tax Act, or (2) any project approved by the Cabinet Secretary responsible for matters relating to finance (Amendment to [Income Tax Act Section 15\(2\)\(w\)](#) under the Finance Act 2022).

The PBO Act references incentives for donations to PBOs by legal and natural persons, which the Cabinet Secretary for Interior and National Coordination will define through regulations in consultation with the PBO Authority.

Expenditures of a capital nature by a person on the construction of a public school, hospital, road, or any similar kind of social infrastructure can be deducted as well, with prior approval of the Cabinet Secretary ([Income Tax Act Section 15\(2\)\(x\)](#)).

Furthermore, deductibility is permitted for expenditures on scientific research to advance a business, including sums paid to approved scientific research institutes or universities, provided that certain conditions are satisfied ([Income Tax Act Section 15\(2\)\(n\)](#)).

C. Value Added Tax

The PBO Act provides for preferential treatment under VAT and customs duties for imported goods or services that are used to further an organization's public benefit purposes (PBO Act Second Schedule Para. (1)(b)). Legislators will likely amend the VAT Act to reference PBOs in due course, given that the PBO Act came into force in May 2024.

Beyond VAT incentives for PBOs, "social welfare services" provided by a charitable organization are exempt from VAT, provided that the organization satisfies two criteria:

(a) It must be registered under the Societies Act or NGO Act, or exempted from registration by the Registrar of Societies or the NGO Coordination Board; and

(b) Its income must be exempt from tax under the Income Tax Act and approved by the Commissioner of Social Services.

Such services are not treated as taxable supplies, and no VAT is charged on them (VAT Act First Schedule, Part 2 Para. 11(b)).

The VAT Act also exempts the supply of services rendered by educational, political, religious, welfare, and other philanthropic associations to their members, provided that this shall not apply where any such services are rendered by way of business (VAT Act First Schedule, Part 2 Para. 11(a)). Certain foods are also VAT exempt (VAT Act First Schedule Part 1).

D. Import Duties

Customs duties are levied on imported goods. While most industrial plant and machinery is zero-rated, it is necessary to consider each item on a case by case basis. The application and management of customs duties is governed by the East African Customs Management Act 2004.

As with other tax benefits, the preferential treatment of customs duties on imported goods and services by PBOs will be operationalized once authorities pass regulations on the PBO Act.

E. Double Tax Treaties

There are no double tax treaties between the United States and Kenya.

Footnotes

[1] The status of these rules is yet to be determined in the light of the 2010 Constitution. However, Part III of this statute is revoked by the Constitution of Kenya (Protection of Rights and Fundamental Freedoms and Enforcement of the Constitution) Practice and Procedure Rules, 2013 under Rule 33. Parts I and II of this statute have not been specifically revoked but may not be functional from a practical standpoint, because some provisions still reference sections of the repealed Constitution.

[2] International organizations, including donor organizations, may be required to register as PBOs. However, the PBO Authority may exempt an international organization from registering as a PBO and instead issue a permit for it to operate in Kenya if the organization does not intend to (1) directly implement activities in Kenya or operate from Kenya to implement activities in other countries or (2) raise funds in Kenya (PBO Act Section 11). Therefore, donors that solely provide funding to NPOs will likely not need to register as PBOs.

[3] See Sihanya, *The Regulatory Regime Governing NGOs in Kenya* (1996).

[4] The amendment of the Income Tax Act, under the Finance Act 2012, also appears to provide for measures to ensure that the Kenya Revenue Authority (KRA) can monitor and review the activities of charitable organizations not only to determine whether they should continue to enjoy exemptions, but also to follow up on their compliance with other taxes such as income (PAYE) and withholding tax.