

# Kenya Market Entry Playbook

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A step-by-step operational guide for international operators entering Kenya — entity setup, EOR selection, compliance, banking and workforce onboarding.



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## Executive summary

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Kenya is one of the most accessible markets in Africa for an international operator — English-speaking, common-law, five to six hours overlapping the UK day, and reformed to allow **fully foreign-owned operations** since the 30% local-equity requirement for ICT companies was removed in August 2023.

This playbook turns that opportunity into a sequence of decisions and steps: choosing between a provider, an Employer of Record (EOR) and your own entity; registering and (optionally) using a Special Economic Zone; meeting the compliance obligations on employment, payroll, data protection and Permanent Establishment; handling banking and currency; and onboarding a workforce. Most operators begin with an EOR to launch in weeks and move to a direct entity once headcount passes 15–20.

**About this playbook:** It consolidates Kenya's compliance, cost and investment frameworks as understood for 2025/26. It is operational guidance, not legal or tax advice — engage local counsel and a tax adviser, and verify registration mechanics with KenInvest, the Business Registration Service, KRA and the ODPC before acting.



PHASE ONE

# Choose your entry model

Provider, Employer of Record, or your own entity.

# Choose your entry model

There are three routes into Kenya, distinguished by who carries the employment and compliance burden.

Model	What it is	Compliance carried by
Provider	Outsource the function to a Kenyan BPO firm	Provider
Employer of Record	A local entity legally employs your staff; you direct the work	EOR
Own entity	Register a branch/subsidiary; run payroll and filing	You

## EOR vs own entity

Factor	EOR	Own entity
Deployment	Weeks	Months (6–12 typical)
Upfront cost	Low	Significant
PE risk	Mitigated (not eliminated)	Higher by design
Control	Less direct	Greater
Best for	Market testing, fast staffing	Larger, long-term headcount

Foreign ownership is now unrestricted for ICT/BPO following the August 2023 removal of the 30% local-equity rule, and KenInvest facilitation is available to investors meeting the **\$100,000 minimum** threshold. The common transition trigger from EOR to entity is **headcount above 15–20**, material Kenya revenue, or a need for local banking and contracting.



PHASE TWO

# Setting up

Entity registration and the SEZ route.

# Setting up

An own entity is established under the **Companies Act 2015** and must register with three authorities before it can run payroll:

## ☑ Core registration touchpoints

Kenya Revenue Authority (KRA) — corporate tax & PAYE via iTax	✓
Social Health Authority (SHA) — SHIF remittance	✓
NSSF — pension contributions	✓
Business Registration Service — company incorporation	✓

## The SEZ route

Operators planning scale should weigh a **Special Economic Zone** licence, which carries materially better fiscal terms.

Factor	SEZ	Standard
Corporate tax, years 1–10	10%	30%
Corporate tax, after year 10	25%	30%
VAT on imports	Exempt	Standard
Work-permit processing	Expedited	Standard
Government services	One-stop shop	Multiple agencies

SEZ licensing typically completes in **30–60 days** with full documentation. Key BPO-relevant zones include Konza Technopolis, Athi River, Mombasa and Dongo Kundu. Note that SEZ benefits apply at corporate level only — employees still pay standard PAYE, NSSF, SHIF and Housing Levy.



PHASE THREE

# The compliance checklist

Employment, payroll, data protection and PE.

# The compliance checklist

## Employment Act 2007

Issue a **written, English-language contract** for any role over three months. Probation runs up to six months; standard hours are 52/week (60 at night); annual leave is 21 days; notice is one month (rising to two after five years); and redundancy severance is at least 15 days' pay per year of service.

## Statutory payroll — all due by the 9th of the following month

Item	Rate
PAYE	10%–35% progressive; KES 2,400/mo personal relief
NSSF	6% + 6%, max KES 4,320 each/month
SHIF	2.75% of gross (min KES 300)
Affordable Housing Levy	1.5% employer + 1.5% employee

Employer statutory on-cost is light — about **4.4% on top of gross** — versus UK employer NI at 13.8%. P9 certificates are issued to staff annually by the end of January.

## Data protection & PE

Kenya has no UK adequacy decision, so UK transfers need an **IDTA plus a Transfer Risk Assessment**, alongside compliance with the Kenya Data Protection Act 2019 (ODPC registration). To manage **Permanent Establishment risk**, keep clear contractual separation, avoid a UK-controlled fixed place of business or dependent agent, and use an EOR or carefully structured entity — the KRA actively monitors international arrangements.



PHASE FOUR

# Banking, payments & cost

Currency, fees and the cost build-up.

# Banking, payments & cost

Salaries are paid in **Kenyan Shillings**. Because the KES/GBP rate moves, most operators agree GBP-denominated provider pricing or budget with a currency buffer and model FX movement over a multi-year horizon. An own entity will need local business banking; under an EOR or provider, payments flow through the provider and currency exposure can be contractually managed. Kenya's mobile-money rails (M-Pesa) make local disbursements and expenses straightforward.

## The fully-loaded cost

### One mid-level role, annual

Element	UK	Kenya via provider
Gross salary	£38,000–£50,000	£8,000–£13,000
Employer on-costs	£6,000–£9,000	in fee
Office, equipment, recruitment	£6,000–£10,000	in fee
Provider / EOR fee	—	£4,000–£7,000
Indicative total	£50,000–£69,000	£12,000–£20,000

The result is a **50–65% saving per role**. The provider/EOR fee is the lever that converts a messy stack of on-costs, office and recruitment spend into a single predictable per-head charge — the main reason the EOR route is so popular for market entry.



PHASE FIVE

# Onboarding & roadmap

Recruitment, payroll and a phased plan.

# Workforce onboarding & roadmap

Talent supply is rarely the constraint: Kenya produced 123,928 graduates in 2024, has 40,000+ ICPAK accountants and a 642,000-strong B2 English pool, and BPO attrition is a sector-low 15–20%. Recruit to roles suited to GMT+3 delivery, issue compliant contracts, register staff for PAYE/NSSF/SHIF/Housing Levy, and run payroll to the 9th-of-month cadence.


## ✓ Phased entry roadmap

1. **Strategy** · Define GMT+3 roles and build the cost model ✓
2. **Model** · Provider, EOR or entity — weigh PE risk and volume ✓
3. **Launch** · EOR in weeks, or entity/SEZ over 1–12 months ✓
4. **Compliance** · IDTA + TRA before any data transfer; first payroll cycle ✓
5. **Scale** · Move EOR → entity past 15–20 headcount ✓

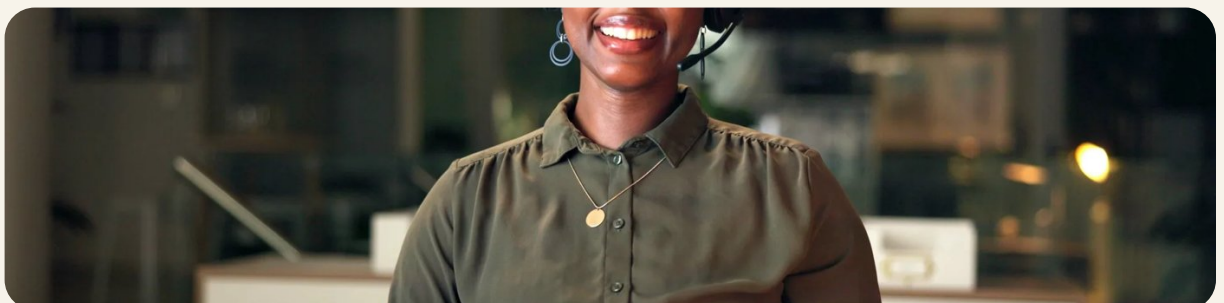
A typical pattern is to launch a pilot team through an EOR within weeks, prove the operating model and quality, then transition to a direct SEZ entity as headcount and revenue justify the investment — capturing the 10% SEZ tax rate at scale while keeping early risk low.

## Plan your entry

Outsourcing.ke maps the compliance, cost and talent landscape for entering Kenya. Explore the full set of guides at [outsourcing.ke](https://outsourcing.ke).

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Kenya outsourcing market intelligence — operational guides for UK businesses building offshore teams.