



The 15% Floor: What Pillar Two Means for Kenya, Uganda and Investment Decisions Across East Africa

A global minimum tax built for the world's largest multinational groups is now a live compliance and policy question in Nairobi and Kampala – and the two countries are answering it very differently.

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For years, the corporate tax rate printed in an investment promotion brochure was a reasonably reliable guide to what a multinational would actually pay in Kenya or Uganda. Under the OECD's Pillar Two framework, that is no longer true for the groups it targets and the two countries are now on visibly different tracks in deciding who collects the difference.

Kenya legislated its response in December 2024. Uganda, as of its most recent round of tax bills, has not. That gap is not a technicality. It determines whether a top-up tax on undertaxed profits earned in East Africa is collected by the East African government itself, or by the tax authority of the multinational's home jurisdiction thousands of kilometres away.

What Pillar Two Actually Requires

Pillar Two applies to multinational enterprise groups with consolidated annual revenue of at least €750 million in at least two of the preceding four accounting periods, roughly KES 95 billion. For groups above that threshold, each jurisdiction in which they operate is tested for its effective tax rate. Where the rate on income earned in a jurisdiction falls below 15%, a top-up tax is triggered to close the gap.

The framework gives three mechanisms the right to collect that top-up, in a defined order of priority. A Qualified Domestic Minimum Top-Up Tax (QDMTT) lets the source country collect first, before anyone else can. The Income Inclusion Rule (IIR) lets the ultimate parent's jurisdiction collect if the source country has not. The Undertaxed Profits Rule (UTPR) is the final backstop, spreading any remaining top-up across other group entities worldwide.

The practical consequence for a low-taxed African subsidiary is this: if its effective tax rate sits below 15%, someone in the group's structure will pay the difference. The only live question, once a country decides how to respond, is who.

What Pillar Two Actually Requires

Kenya's Tax Laws (Amendment) Act, 2024 was assented to on 11 December 2024 and introduced a domestic minimum top-up tax effective from 27 December 2024, making Kenya's QDMTT operative for the 2025 tax year. In-scope group entities with an effective tax rate below 15% on Kenyan income now owe the top-up to the Kenya Revenue Authority directly, rather than seeing it collected abroad.

One design choice deserves particular attention from group tax teams: Kenya calculates the effective tax rate at the entity level, rather than the jurisdictional level used under the OECD's model rules. A group with several Kenyan entities cannot necessarily blend a high-taxed entity against a low-taxed one to bring the group's overall Kenyan rate above 15% in the way the OECD's own approach would allow. This is a genuine point of divergence that needs its own modelling, not an assumption that Kenya simply mirrors the OECD text. The Act carves out a defined list of exemptions, government entities not carrying on business, income already exempt under the First Schedule to the Income Tax Act, pension funds, qualifying real estate investment vehicles, non-operating holding companies, qualifying investment funds, sovereign wealth funds, and intergovernmental organisations. Outside that list, exposure needs to be tested on the facts.

Kenya's QDMTT was granted Transitional Qualified Status under the OECD's peer review process in May 2026: a meaningful development, since it gives affected groups and their auditors comfort that other jurisdictions' IIR rules will respect Kenya's top-up tax and will not seek to collect the same amount twice. Detailed KRA regulations have not yet been published, but the compliance calendar is already running: first GloBE Information Return filings for calendar-year taxpayers fall due by 30 June 2026, with first QDMTT cash payments falling due around 30 April 2026 for December year-ends. For in-scope groups, 2025 was already a top-up tax year in Kenya, regulations or not.

Uganda Is Still Deciding

Uganda has not yet enacted a domestic minimum top-up tax. The Income Tax, VAT, Excise Duty and Tax Procedures Code amendment bills tabled before Parliament in April 2026 and passed in June do not include a QDMTT. That does not mean Uganda has been inactive on the question – ATAF has deployed a technical team to support a Pillar Two revenue impact assessment, working alongside the Uganda Revenue Authority, the Uganda Investment Authority, the Petroleum Authority of Uganda and the Ministry of Finance, Planning and Economic Development, modelling jurisdictional effective tax rates for in-scope multinationals against Uganda's existing incentive regime.

The involvement of the Petroleum Authority is telling. Uganda's oil sector is capital-intensive, heavily structured around long-dated incentives, and increasingly attracts exactly the scale of multinational investment that Pillar Two is designed to reach. As first-oil related investment and financing structures move toward Pillar Two-relevant scale, the revenue question stops being theoretical.

Until Uganda enacts its own QDMTT, any top-up tax on undertaxed profits earned by in-scope groups in Uganda is available for another jurisdiction, typically the ultimate parent's home country, via its IIR, to collect instead. Uganda is not avoiding the tax. It is currently positioned to let someone else collect it first.

Why The Difference Matters For Investors Choosing Between The Two Markets

For an in-scope group structuring a new East African platform, the QDMTT question changes the comparison between Kenya and Uganda in a specific way. In Kenya, a top-up tax triggered by a low-taxed structure is now a Kenyan cash tax cost, assessed locally, with a compliance process that, once regulations land, will be defined and administered by the KRA. In Uganda today, the equivalent economic cost may currently be collected abroad, at the parent level, under a different jurisdiction's procedural rules, currency and timeline.

This does not make Kenya a higher-tax destination than Uganda for such a group; the total group tax cost is broadly the same either way once a structure sits below 15%. What changes is who receives the tax, when it falls due, and under whose dispute and compliance rules it is assessed. For a treasury or tax function planning cash flow and audit exposure, that is a real difference even where the headline economics converge. It is also worth stating plainly what does not change. For groups below the €750 million threshold, the majority of investors that Kenya's and Uganda's promotion agencies actually deal with day to day, none of this alters the tax position. Pillar Two currently reaches only the largest multinational groups, and boards should confirm scope before assuming any part of this analysis applies to them. ^{able risk.}

The Compliance Layer Nobody's Incentive Brochure Mentions

Beyond the tax charge itself, in-scope groups now carry a standing compliance obligation: the GloBE Information Return, jurisdictional (and in Kenya's case, entity-level) effective tax rate computations, and safe harbour testing where available. Kenya's implementing regulations remain outstanding, which means groups are currently calculating 2025 QDMTT liabilities against a primary statute without the interpretive detail that normally accompanies a tax of this complexity. That is a near-term risk area in its own right, independent of the underlying tax cost, and one that finance and tax teams should be resourcing for now rather than after the first

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Any in-scope group with Kenyan or Ugandan operations should be running a jurisdiction-by-jurisdiction and in Kenya's case, entity-by-entity effective tax rate model before year-end, not after an assessment arrives. Boards evaluating new investment into either market should treat the presence or absence of a QDMTT as a governance and cash-flow-timing question, not simply a rate comparison.

And there is a genuine regional opportunity here: East African policymakers who coordinate the pace and design of their QDMTT legislation reduce the risk of investors choosing between neighbouring markets based on which government happened to legislate first, rather than on the underlying investment case.

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