

PRESS RELEASE

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DRAKE MOVES TO PROTECT KENYA'S DIGITAL ECONOMY: FORMALLY SUBMITS MEMORANDUM TO NATIONAL ASSEMBLY OPPOSING PROVISIONS IN FINANCE BILL 2026 THAT WILL TAX KENYANS' DIGITAL IDENTITY

The Domain Registrars Association of Kenya (DRAKE), the body representing accredited .KE domain name registrars and the driving force behind the **#1MDOTKE** campaign to grow Kenya's sovereign digital namespace from 122,289 to one million domains by 2028, has formally submitted a Memorandum to the National Assembly's Finance and National Planning Committee opposing key provisions in the Finance Bill, 2026 that will directly increase the cost of digital identity for Kenyan businesses, schools, and citizens - and threaten a **KES 30 billion ecosystem** and **100,000 jobs** before they are created.

[The .KE Domain: Kenya's Sovereign Digital Infrastructure](#)

A .KE domain name is not a technicality - it is the **Digital Title Deed** of every Kenyan business, school, and individual in the digital economy. It is the foundation on which professional email, e-commerce, digital government services, and financial inclusion are built. Today, Kenya has only 122,289 registered .KE domains against 47 million internet users - a penetration rate of 0.26%, among the lowest in comparable African economies. South Africa has over 1.2 million. Rwanda has tripled its namespace in six years through deliberate policy incentives.

DRAKE's **#1MDOTKE Campaign** is built to close this gap - targeting 1,000,000 Kenyan digital identities by 2028 through 1,450 ward-level Digital Hubs, 47 County Centres of Excellence, and a trained force of Digital Identity Architects serving MSMEs, schools, graduates, and tourists from Moyale to Mombasa. The Finance Bill, 2026 threatens to undermine this mission before it scales.

[What the Finance Bill Gets Wrong](#)

DRAKE's Memorandum (Ref: DRAKE/MEMO/FB2026/001), submitted to the Finance and National Planning Committee pursuant to *Article 118(1)(b) of the Constitution of Kenya, 2010*, identifies three provisions in the Bill that will directly raise the cost of digital participation for ordinary Kenyans - with no corresponding public benefit.

1. Taxing the Digital Title Deed: The 'Royalty' Trap

Clause 2(c) of the Bill redefines 'royalty' under the Income Tax Act to include software maintenance fees, platform access fees, and digital service subscriptions. In one stroke, this reclassifies the components of DRAKE's Digital Title Deed bundle - domain name management, SSL security certificates, DNSSEC configuration, and managed email hosting - as **royalties subject to withholding tax of 5% (resident) and 20% (non-resident)**.

The result: every Kenyan MSME, school, and graduate that registers a .KE domain and activates its email, website, and security features could be caught in a cascade of tax obligations on a KES 1,500–5,000 annual transaction. At campaign scale, this provision alone adds **KES 200M+ in costs** to the MSME, schools, and graduates DRAKE is committed to serving. Foreign domain providers operating outside Kenya's tax net are untouched. Kenyan registrars bear the entire compliance burden.

2. A Missed Opportunity: .KE Domains Still Not Zero-Rated

Every year, thousands of Kenyan businesses, schools, and individuals pay VAT on their .KE domain registrations - a tax on the most basic act of going digital. The Finance Bill 2026 was Parliament's clearest opportunity in years to correct this. Instead, it introduces new VAT zero-ratings and exemptions for motorcycles, solar batteries, electric vehicles, and PPP infrastructure - while .KE domain registration services remain fully taxable at 16%, with no relief in sight. The Government's own Digital Literacy Program (DigiSchool) has invested hundreds of millions equipping Kenya's public schools with devices, internet connectivity, and digital content. Yet the domain registration that gives each of those schools a verified digital identity remains a taxed transaction.

DigiSchool puts devices and connectivity inside the classroom. A verified .sc.ke domain is the digital front door of the school - the trusted online home where parents find school notices, where CBC digital content is anchored, where the school's identity is protected from impersonation and phishing. Without a .sc.ke domain, the Government's own digital infrastructure investment in schools lacks its most visible public face. Zero-rating .sc.ke registrations would cost the exchequer almost nothing - school domain fees are modest - but the signal it sends would be transformative: that Kenya treats its schools' digital identity as infrastructure, not as a taxable luxury. Across all four campaign segments at 1M domains, the continuing VAT burden exceeds **KES 200M per year** in costs that zero-rating could eliminate.

3. Taxing the Last Mile: WHT on Every Domain Registration Portal

Clause 35 introduces a 5% withholding tax on payments through 'digital marketplaces.' DRAKE's registrar portals - through which every .KE domain is registered - are digital marketplaces by definition. Imposing WHT on KES 1,500 micro-transactions, requiring the issuance of WHT certificates to mama mbogas and boda boda operators for a domain renewal, and exposing ward-level Digital Identity Architects to automated KRA penalties for eTIMS non-compliance in areas with intermittent internet - **this is not tax policy, it is a barrier to digital inclusion.**

The same clause also attempts to reclassify international payment network fees - transaction fees paid to card-scheme operators - as 'royalties' subject to 20%

withholding tax. This conflicts directly with Kenya's WTO obligations and bilateral investment treaties. The practical consequence: higher costs on every card-based digital payment in Kenya, including every domain registration processed through a card terminal at a ward hub. **The DNS ecosystem and Kenya's payments infrastructure are connected - taxing one damages the other.**

"The Finance Bill 2026 finds room to zero-rate motorcycles and solar batteries - and we welcome those measures. But it misses the single most important zero-rating for Kenya's digital future: the .KE domain name. The Government has invested in putting devices and internet into classrooms through DigiSchool. A school without a verified .sc.ke domain is a school with a computer but no address. Parliament can fix this now. We are asking them to."

- Davis Waithaka – Secretary General, Domain Registrars Association of Kenya (DRAKE)

What DRAKE is Asking Parliament to Do

The Memorandum makes three specific, technically grounded requests of the Finance and National Planning Committee:

- Amend the royalty definition (Clause 2) to carve out domain registration, hosting, and internet infrastructure services - ordinary operational fees are not intellectual property royalties.
- Zero-rate .KE domain registrations in the VAT First Schedule - starting with .sc.ke and .ac.ke for schools and universities, then extending to all .KE registrations in line with Kenya's digital economy ambitions. The fiscal cost is negligible; the signal to the market and to Kenya's 4.4 million MSMEs is enormous.
- Insert a KES 5,000 micro-transaction threshold for digital marketplace WHT - the compliance cost of deducting and remitting KES 75 on a KES 1,500 domain renewal exceeds the tax yield by a factor of ten.

"We are not asking Parliament to reduce government revenue. The fiscal cost of zero-rating .KE domain registrations is negligible - this is not a budget issue; it is a policy choice. We are asking Parliament to make the same choice it has made for solar batteries and electric vehicles: treat digital identity infrastructure as essential, not optional. Every Kenyan deserves a .KE domain. Right now, every renewal of that domain carries a VAT bill that comparable economies have long since removed. This Finance Bill should be the one that changes that."

- Kariba Moko – Chair, Domain Registrars Association of Kenya (DRAKE)

The Bigger Picture: A KES 30B Ecosystem at Stake

DRAKE's **#1MDOTKE Campaign** is not just a registration drive. It is the infrastructure play for Kenya's digital economy. Through 1,450 ward-level hubs and 47 county centres, DRAKE is training a generation of Digital Identity Architects - certified youth who build and manage the digital presence of MSMEs, schools, and individuals in every ward in

Kenya. The projected outcome by 2028: a KES 30 billion .KE ecosystem and 100,000 direct and indirect jobs.

The Finance Bill 2026, if enacted without amendment, will raise the cost of every service this ecosystem delivers, create compliance burdens that make last-mile digital registration unworkable, and send a signal to Kenya's 4.4 million MSMEs that going digital costs more, not less. DRAKE is asking Parliament to stand on the right side of that signal.

DRAKE URGES THE NATIONAL ASSEMBLY TO ACT

TO PARLIAMENT

We urge the Finance and National Planning Committee to adopt the specific amendments proposed in our Memorandum and to engage meaningfully with Kenya's digital economy stakeholders during the public hearings process. The .KE namespace is sovereign infrastructure - it deserves the same legislative protection as any other national infrastructure.

TO INDUSTRY

We call on fellow digital service providers, technology hubs, startups, MSMEs, and schools to submit your own representations to the Finance and National Planning Committee before the public participation window closes. Your voice is your most powerful digital asset. Use it. #1MDOTKE

 **READ THE FULL MEMORANDUM:** www.drake.ke/media

ABOUT DRAKE

The Domain Registrars Association of Kenya (DRAKE) is the independent industry body representing accredited .KE domain name registrars licensed by the Kenya Network Information Centre (KeNIC). DRAKE promotes internet integration into Kenya's technological, research, educational, social, and business infrastructure; advocates for policies that narrow the digital divide; and represents Kenya in international internet governance forums. DRAKE is the driving force behind the **#1MDOTKE Campaign** - a national initiative to grow Kenya's .KE domain namespace to one million identities by 2028, generating a KES 30 billion digital ecosystem and 100,000 jobs. | www.drake.ke

MEDIA ENQUIRIES

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For interview requests, technical briefings, or broadcast-ready commentary, contact the spokesperson below.

NOTES TO EDITORS

- The Finance Bill, 2026 (National Assembly Bills No. 26 of 2026) was gazetted on 5 May 2026 and is before the Finance and National Planning Committee for public participation.
- DRAKE's formal Memorandum (Ref: DRAKE/MEMO/FB2026/001) was submitted to the Clerk of the National Assembly and the Chairperson, Finance and National Planning Committee, pursuant to Article 118(1)(b) of the Constitution of Kenya, 2010. A stamped copy is available at www.drake.ke/finance-bill-2026-memorandum
- Kenya currently has 122,289 registered .KE domains against 47 million internet users - a penetration rate of 0.26% versus South Africa's 1.2M+ .za domains.
- The DRAKE Memorandum (DRAKE/MEMO/FB2026/001) was submitted to the Clerk of the National Assembly and the Chairperson, Finance and National Planning Committee, National Assembly, Parliament Buildings, Nairobi, pursuant to Article 118(1)(b) of the Constitution of Kenya, 2010.
- DRAKE is available to provide technical briefings, expert commentary for broadcast media, and oral submissions before the Finance and National Planning Committee.
- High-resolution DRAKE and .KE brand assets are available on request.

.KE = IDENTITY | #1MDOTKE | www.drake.ke

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