RSMEA Newsletter | Kenya

NSSF new rates for 2026: What this means for employees and employers

Introduction

The National Social Security Fund Act, No. 45 of 2013 (the "NSSF Act") transformed the NSSF from a provident fund into a mandatory national pension scheme. The Act, assented to on 24th December 2013 and commencing on 10th January 2014, introduced higher contribution levels to improve retirement benefits, invalidity benefits, and survivors' benefits.

Following legal challenges, the Court of Appeal upheld the Act's constitutionality in February 2023, enabling phased implementation over five years as prescribed in the Third Schedule of the Act.

The changes effective 1st February 2026 represent the fourth phase of this statutory rollout. Importantly, these are not new contribution rates but an increase in the pensionable earnings limits (Lower Earnings Limit and Upper Earnings Limit). The contribution percentage remains unchanged at 6% (employee) + 6% (employer).

This is a mandatory statutory requirement under the NSSF Act, with no discretion for employers to opt out of the adjusted limits.

Phased Implementation Schedule (Third Schedule, NSSF Act 2013)

The table below outlines the five-year phased rollout as prescribed in the Third Schedule of the NSSF Act 2013, showing the progression of earnings limits and maximum employee contributions.

Year	Effective Date	Lower Earnings Limit (LEL) (KShs.)	Upper Earnings Limit (UEL) (KShs.)	Maximum Employee Contribution (KShs.)
1	Feb 2023	6,000	18,000	1,080
2	Feb 2024	7,000	36,000	2,160
3	Feb 2025	8,000	72,000	4,320
4	**Feb 2026**	**9,000**	**108,000**	**6,480**

New NSSF Rates – Effective 1st February 2026

Description	2025 (effective 1st February 2025) (KShs.)	2026 (effective 1st February 2026) (KShs.)
Lower Earnings Limit (LEL)	8,000	9,000
Total Employee Contribution (6% of LEL)	480	540
Total Employer Contribution (6% of LEL)	480	540
Tier I Contribution (Employee + Employer) (A)	960	1,080
Upper Earnings Limit (UEL)	72,000	108,000
Contribution on Upper Limit (UEL-LEL)	64,000	99,000
Total Employee Contribution (6% x (min(Gross salary, UEL) – LEL)	3,840	5,940
Total Employer Contribution (6% x (min(Gross Salary, UEL) – LEL)	3,840	5,940
Tier II Contribution (Employee + Employer) (B)	7,680	11,880
Total NSSF Contribution (Tier I + Tier II) (A+B)	8,640	12,960

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Impact on Employees' Salaries

The impact of this change will vary based on the income level as demonstrated below.

Monthly Gross Salary (KShs.)	Current Employee Contribution (2025) (KShs.)	New Employee Contribution (Feb 2026) (KShs.)	Increase in Employee Deduction (KShs.)	Effect on Take-Home Pay (KShs.)
50,000 (and below)	3,000	3,000	-	None
80,000	4,320	4,800	480	Reduced
100,000	4,320	6,000	1,680	Reduced
200,000	4,320	6,480	2,160	Reduced (maximum impact)

Impact on Employers

The implementation of year 4 phase will have the following impact on the employer:

- **Increased payroll costs:** Employers must match the higher employee contributions, raising total employment costs (especially for mid- to high-salary staff).
- **Operational requirements:**
  - Update payroll software/systems to apply the new LEL and UEL from February 2026 payroll.
  - Ensure correct application of the tier structure.
- **Broader implications:**
  - Affects employment cost budgeting and salary structuring.
  - May influence remuneration packages for expatriates, directors, or senior executives.

Compliance and Risk Considerations

Implementation of the adjusted limits starting with the February 2026 payroll is a non-discretionary statutory obligation under the NSSF Act, 2013. Failure to comply will expose the organization to the following risks:

- **Statutory Penalties (NSSF Act, Section 27)**: Any contribution not paid by the statutory deadline—the 9th day of the following month—attracts a compounded penalty of 5% of the total unpaid amount for every month (or part thereof) that the remittance remains outstanding.
- **Restriction on Back-Deductions (NSSF Act, Section 22)**: The law is strict on recovery; if an employer fails to deduct the employee's share at the time of wage payment, the employer loses the right to deduct that amount from future wages. The employer must then bear the cost of both the employee's and the employer's shares, plus any accrued penalties.
- **Unified Payroll Return (UPR) Risk**: Under the current KRA-NSSF Unified Payroll system, statutory data is cross-validated on the iTax and e-Citizen platforms. Inconsistencies or under-deductions are flagged during the month-end filing process, which can trigger an automated Tax Shortfall Penalty or interest under the Tax Procedures Act, 2015.
- **KRA Audit Scrutiny:** The KRA has increasingly shifted toward payroll reconciliations during Corporate Income Tax audits. Discrepancies in NSSF implementation are often used as a primary "red flag" to initiate a full payroll audit, potentially leading to the disallowance of employer contributions as deductible business expenses.
- **Operational Compliance: Employers must ensure:**
  - Accurate Tier Categorization: Precise splitting of Tier I (directly to NSSF) and Tier II (NSSF or approved scheme).
  - Timely Remittance: Payment must be made by the 9th of the ensuing month to maintain a valid Tax Compliance Certificate (TCC).
  - Record-Keeping: Maintaining detailed payroll registers for at least 5 years to defend against future statutory claims or audits.

Our View

The increase in NSSF contributions will add to the statutory deductions already borne by employees, resulting in reduced take-home pay, particularly for middle- and high-income earners. At the same time, the higher contributions are intended to strengthen individual retirement savings and improve long-term income security after employment.

From an employer's perspective, the revised limits will lead to higher payroll costs and increased compliance obligations, at a time when businesses are already navigating a complex and evolving tax environment. This underscores the importance of careful workforce planning and timely payroll adjustments.

While the reforms may feel burdensome in the short term, they form part of Kenya's broader effort to modernise its pension system and align with international retirement-security standards. The ultimate success of these changes will depend on maintaining a balance between affordability for today's workers and the sustainability of retirement benefits in the future.

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