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| **Date:** | 30 May 2025 |
| The Clerk, National Assembly  Parliament of Kenya  Office of the Clerk  Main Parliament Buildings  **Nairobi, Kenya** | |

Attention: S. Njoroge

Dear Sirs,

**RE: Submissions on the Finance Bill 2025 Proposed Amendments in respect to the Electric Mobility Sector in Kenya**

We write on behalf of the members of Electric Mobility Association of Kenya (**EMAK**), an industry association whose membership is drawn from a variety of electric mobility stakeholders. Currently, EMAK has forty seven (47) members and is dedicated to revolutionizing Kenya’s transportation landscape through the promotion and advancement of electric mobility (**e-Mobility**) solutions.

We refer to the Departmental Committee on Finance and National Planning's invitation to submit memoranda dated 13 May 2025, inviting stakeholder submissions on the Finance Bill, 2025 (the **Bill**). We are pleased to submit our memorandum, which sets out targeted proposals to build upon the positive strides made in the adoption of e-mobility in Kenya since the enactment of the Finance Act, 2023 which introduced a raft of tax incentives to promote the e-mobility sector in Kenya.

Through the Finance Act, 2023, the Government of Kenya (the **Government**) bolstered its commitment to reducing Greenhouse Gas emissions by introducing a raft of incentives to support the growth of the electric mobility (**e-mobility**) sector, including VAT zero-rating for electric motorcycles, e-buses, e-bicycles and lithium-ion batteries. Additionally, e-motorcycles were exempted from excise duty, and the excise duty for electric motor vehicles was reduced from 20% to 10%. Further, the Government, through the Ministry of Roads and Transport, established the taskforce on the Development of National Electric Mobility Policy, Strategy, Legislation and Regulations (the **e-Mobility Taskforce**) to develop a National Electric Mobility Policy, to guide the development and adoption of electric vehicles (**EVs**) in Kenya. The Report for the e-Mobility Taskforce was tabled in 2024 alongside the Draft e-Mobility Policy.

**EV Sector Growth and Impact of Existing Incentives in 2023-2025**

Since the introduction of e-mobility fiscal incentives through the Finance Act,2023, Kenya’s EV market has seen tangible growth. EV registrations more than doubled, rising from 4,047 in 2023 to 9,144 in 2024. This surge reflects growing confidence and demand across both individual and commercial users. Notably, leading mobility and ridehailing platforms such as Bolt and Uber have incorporated electric motorcycles into their fleets, offering more affordable transport options and enhancing customer experience. The data affirms that well-designed fiscal incentives have contributed to lowering consumers’ cost of acquisition of electric vehicles are key to accelerating e-mobility adoption at scale.  Expanding these benefits to previously omitted electric transportation sectors such as passenger cars and commercial vehicles will further accelerate the industry’s growth and solidify Kenya’s market leadership.

**Local Value Addition and Domestic Assembly**

We commend the Government’s commitment to strengthening local value chains and specifically urge a stronger policy emphasis on domestic EV assembly. Several companies, particularly in the two-wheeler and bus space have already commenced local assembly operations, demonstrating the viability of Kenyan assembly operations. However, sustained growth in local assembly requires a strong and growing domestic EV market to justify scale and attract serious investment. Over-prioritising localisation before market maturity may slow sector development. Notably, the proposed shift from zero-rated VAT to VAT-exempt status would eliminate input VAT recoverability for local assemblers, increasing their cost of production while leaving importers generally unaffected. This risks tilting the playing field against local manufacturers and stalling Kenya’s industrialisation ambitions in the e-mobility space.

**Job Creation and Skills Development**

A scaled e-mobility sector can create over 800,000 direct and indirect jobs by 2040, particularly benefiting the youth, women and low-income households. These job opportunities span vehicle assembly, battery maintenance, charging infrastructure, and tech-driven services. This will also drive demand for technical training and innovation, aligning with Kenya’s goals under Vision 2030. A robust tax framework will unlock these employment and skills development benefits.

**Comparative Vehicle Costs and Financial Impact**

While upfront costs for EVs remain higher than for internal combustion engine (**ICE**) vehicles, this gap is steadily narrowing due to falling battery costs and improved economies of scale. Crucially, the total cost of ownership is significantly lower for EVs (30% savings), due to reduced fuel expenditure, lower maintenance costs, and favourable electricity tariffs. Additionally, EVs offer considerable environmental savings through reduced carbon and particulate emissions, helping Kenya meet its climate commitments.

**Conclusion**

Despite this growth demonstrated above, EVs still represent a small share of total national vehicle registrations. Achieving the national target of at least 5% of newly registered vehicles by 2025 requires sustained policy support, including incentives to stimulate demand, expand charging infrastructure and build local assembly capacity.

We take note with regret that the Finance Bill, 2025, has made various proposals on e-mobility, aimed at reversing the current fiscal incentives put in place by the Finance Act 2023, thereby reducing investor confidence in the sector, making polluting vehicles and other markets more attractive, and increasing costs to end users. Critically, the bill as currently drafted will disproportionately hurt local assemblers (by not allowing them to claim back input VAT on locally sourced products and services) and should be reconsidered.

We submit that for EVs to be taken up more broadly in Kenya, the current tax incentives available need to be retained. Additionally, certain key additional incentives are required for high potential sectors that were previously not considered for fiscal incentives.  It is critical that Kenya builds on the momentum gained as a result of tax benefits provided to the bus, bicycle, and motorcycle sectors and extend these benefits fairly and evenly to other EV sub-sectors including passenger cars, commercial vehicles and freight, with an eventual drive toward more localization. We therefore propose that amendments to the Income Tax Act (the **ITA**), the Value Added Tax Act (the **VAT Act**), and the Excise Duty Act (the **EDA**) be facilitated, to enable the e-mobility sector to reach critical mass quickly. Once this has been achieved, and we have proven to investors that the market is of sufficient scale to attract investment, we believe that the incentives may be scaled down over time, and should shift from being targeted at the consumer who acquires an electric vehicle to mainly assemblers and manufacturers of EVs.

We look forward to meeting with you to discuss our proposals and look forward to your favourable consideration of our Memorandum.

Yours sincerely,

**Hezbon Mose**

Chairman EMAK

| **Table 1 - Proposals Under the Finance Bill 2025: The Value Added Tax Act, Chapter 476 of the Laws of Kenya** | | | | |
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| **NO.** | **Clause of the Bill 2025** | **Description of the Clause** | **EMAK’s Comments and Proposals** | **Justification** |
| 1. | **Clause 36 (o)** | The Bill proposes to insert a new Paragraph 159 under Section A in Part 1 to the First Schedule of the VAT Act, thus making the supply of **electric motorcycles** of tariff heading 8711.60.00 VAT exempt. | We recommend that the current draft proposal be reconsidered and dropped, such that the supply of motorcycles of tariff heading 8711.60.00 remains as a zero-rated supply, as it currently is. | The Bill proposes to amend the supply of motorcycles of tariff heading 8711.60.00 (being motorcycles with an electric motor for propulsion, i.e. electric motorcycles) from being a zero-rated supply to an exempt supply.  This would mean that manufacturers, assemblers and sellers will no longer be able to claim input VAT on the supply of the electric motorcycles. To avoid incurring this cost, companies would pass this cost on to the consumers, thus making electric motorcycles more expensive. Local assemblers, who pay input VAT on numerous components and services sourced locally, would be particularly disadvantaged.  Additionally, under the VAT legislation, taxpayers who have excess VAT credits arising out of making zero-rated supplies are eligible for VAT refunds. Thus, it is the case that zero rating provisions are retained, taxpayers dealing with EVs of tariff heading 87.11.60.00 would be eligible for VAT refunds for any excess VAT credits. In our view, such refunds would enable reinvestment into the e-mobility industry through increased production.  The zero rating of the supply of electric motorcycles was introduced by the Finance Act 2023 as an incentive to ensure the growth of the e-mobility sector and encourage the adoption and use of EVs in the country. Withdrawing the incentive only two years later may be viewed as a premature move, considering that there was a 500% acceleration of the uptake of EVs in the two years the incentives have been in place, and the tax incentives drove significant investment.  Summarily, the clawing back of this incentive is likely to:   1. discourage the growth of the e-mobility sector and the uptake of EVs, particularly for the local assemblers; 2. side track the Government from its climate change commitments, such as reducing greenhouse gas emissions, attaining clean, efficient and sustainable energy technologies to reduce over reliance on fossil and non-sustainable biomass fuels, and promoting low carbon transport systems; 3. backtrack on steps taken by the Government to ensure the growth and adoption of EVs, including the establishment of the e-mobility Taskforce; and 4. discourage investors, some of whom have already brought considerable foreign direct investment into the country in response to the incentives. |
| 2. | **Clause 36 (o)** | The Bill proposes to insert a new Paragraph 160 under Section A in Part 1 to the First Schedule of the VAT Act, thus making the supply of **electric bicycles** VAT exempt. | We recommend that the proposal be reconsidered and dropped, such that the supply of electric bicycles remains as a zero-rated supply, as it currently is. | The proposed amendment to change the VAT status of the supply of electric bicycles from being a zero-rated supply, if passed into law, would effectively mean that this supply will now be exempt from VAT.  The implication of this is that electric bicycles will be significantly more expensive than they already are, thus making them inaccessible and hindering their adoption and use in Kenya.  The zero rating of the supply of electric bicycles was also introduced by the Finance Act 2023. Similar to the electric motorcycles, there has been considerable uptake of the bicycles, but the incentive is still required as EVs are yet to reach critical mass.  As discussed above, several suppliers/manufacturers have invested in this sector geared to supply the growing demand created by this incentive and retracting the same only two years later would hamper the positive investment steps taken. |
| 3. | **Clause 36 (o)** | The Bill proposes to insert a new Paragraph 161 under Section A in Part 1 to the First Schedule of the VAT Act, thus making the supply of **solar and lithium-ion batteries** VAT exempt. | We recommend that the proposal be reconsidered, and the supply of solar and lithium-ion batteries specifically used in EVs remains as a zero-rated supply, as it currently is. | The proposed amendment to change the VAT status of the supply of solar and lithium-ion batteries from being a zero-rated supply, if passed into law, would effectively mean that this supply will now be exempt from VAT.  The implication of this would be an increase in the overall prices of EVs and their maintenance, since VAT, being a consumer tax, is borne by the final consumer.  One of the major hindrances to the uptake of EVs is “range anxiety”; therefore, there is a need to ensure the availability and affordability of charging infrastructure and batteries.  Lithium-ion batteries used in electric vehicles make up 40-50% of the cost of producing electric vehicles. Any increase in the cost of importing or producing such lithium-ion batteries will therefore have a ripple effect of increasing the prices of electric vehicles.  While it is not disputed that lithium-ion batteries may also be found in Internal Combustion Engine (ICE) vehicles and other uses, lithium-ion batteries are primarily used more in electric vehicles and can be distinguished from other batteries with proper precautions. |
| 4. | **Clause 36 (o)** | The Bill proposes to insert a new Paragraph 162 under Section A in Part 1 to the First Schedule of the VAT Act, thus making the supply of **electric buses of tariff heading 87.02** VAT exempt. | We recommend that the proposal be reconsidered and dropped, and the supply of electric buses be reinstated as a zero-rated supply. | The proposed amendment to change the VAT status of the supply of electric buses of tariff heading 87.02 from being a zero-rated supply, if passed into law, would effectively mean that this supply will now be exempt from VAT.  Like the other EVs discussed above, the zero rating of the supply of electric buses was introduced by the Finance Act 2023. In the year since the tax incentive has been in place, there has been good uptake of electric buses in Kenya (over 20 sold), and specifically in Nairobi, where there are some on the roads being used for public transport.  As already discussed above, the clawback of this incentive would have detrimental effects on progress made to ensure climate conservation, reduced fuel expenditure, job growth, and economic growth, in which the e-mobility sector plays a crucial role.  Notably, buses are currently being locally assembled in Kenya at scale, and shifting electric buses from a zero-rated supply to a VAT exempt supply would result in value addition locally being disadvantaged and discouraged, impacting companies decisions to source locally and contribute to local job creation. |

**Additional Proposals for Unaddressed EV Sub-Sectors**

Further to our above submissions on the proposed changes to the Finance Bill 2025, we are of the view that the Government should consider introducing further measures promoting the adoption of EVs, such as revised tax credits, investment incentives, or grants for businesses engaged in the production, distribution, or utilization of EVs. This is particularly important as multiple HS Codes were left out of the Finance Act 2023, and local manufacturers were also disproportionately disadvantaged by the law as written. We recommend that you consider sustaining existing fiscal incentives and ramping up additional incentives to the e-mobility industry for the next five years to allow the sector to reach critical mass.

We believe that the incentives should initially be targeted at the consumer to ramp up demand for EVs and subsequently transition to favour assemblers and manufacturers of EVs as soon as local manufacturing capacity is developed.

Our additional proposals are not merely fiscal—they are aligned with the national priorities and economic realities:

1. **Climate goals**: Kenya’s international commitment to net-zero emissions makes accelerated EV adoption a necessity.
2. **Job creation and investment**: Local assembly and manufacturing create jobs, deepen value chains, and retain more value locally.
3. **Energy security**: EVs increase demand for clean electricity, aiding in diversification away from petroleum products.
4. **Reduced transport costs**: Electricity is cheaper and more stable than fuel. EVs are therefore more economical over time and will help reduce the cost of public and commercial transport.

We summarise our additional recommendations below:

1. **Expand the Scope of Zero-Rated VAT and 0% Excise Duty**

While the Finance Act 2023 provided for zero-rating and reduced excise duty rates for certain EV categories, we propose an expansion to cover a wider range of the ecosystem:

1. **Passenger cars and tuk-tuks**: These remain underserved under the current regime, yet they constitute a significant share of urban transport.
2. **Medium and heavy-duty EVs**: Incentives should apply to electric trucks and public service vehicles (**PSVs**), including buses and cargo movers.
3. **EV components and local assemblies**: Incentives should apply to EV parts, spare parts, and semi-knocked down (SKD) or completely knocked down (CKD) kits to encourage local assembly.

This expanded list will help level the playing field between EVs and ICE vehicles, particularly used ICE vehicles, by narrowing the price differential.

1. **Addressing Price Neutrality Between EVs and ICE Vehicles**

Exemptions on VAT and lower rates of Excise Duty on an EV will significantly reduce the price gap between an EV and an ICE vehicle. It will be noted that most EVs are brand-new, while on the other hand, most imported ICE vehicles to Kenya are second-hand. This gap can be bridged more easily by the complete removal of all taxes on EVs. Rwanda has adopted a similar approach, providing a precedent that Kenya can adopt to drive market penetration.

The same tax treatment afforded to electric bicycles, electric motorcycles, and electric buses should be afforded to other sub-sectors, including electric passenger cars, tuk tuks, and heavy and medium duty vehicles and trucks, which require particular focus to overcome high upfront costs. Furthermore, it is also desirable to incentivise the conversion of existing ICE vehicles to EVs.

We set out our proposed fiscal incentives in the table below:

| **Table 2 - Additional Proposals for Unaddressed EV Sub-Sectors** | | | | | |
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| **No** | **Sector / EV Category / EV Component** | **Tariff Number** | **Current Tax Rate**  **AV CKD / FBU** | **Proposed Rate and Amendment Required** | **Justification** |
| 1. | **EV 3-Wheeler**  **(Tuk Tuks)** | 8703.40.00  8703.50.00  8703.60.00  8703.70.00  8703.80.00 | VAT - 16% | **VAT - Zero rated**  We propose that the Second Schedule to the VAT Act be amended by zero-rating EVs under Tariff description 8703, including CKDs, sub-assemblies and components purchased by assemblers and manufacturers. | As outlined above, additional fiscal incentives are essential to accelerate the growth and development of the e-mobility sector in Kenya and to drive widespread adoption of EVs..  Previous legislation did not extend tax incentives to several key sectors within the EV value chain, limiting the sector’s overall potential.  To address this gap, we propose the inclusion of further exemptions, particularly on VAT and Excise Duty, for a broader range of EVs. These measures will not only promote uptake across the entire EV ecosystem but will also help bridge the current price disparity between EVs and ICE vehicles. |
| Excise Duty - 10% | **Excise Duty - Exemption / Exclusion**  We propose that the First Schedule to the Excise Duty Act is amended to exclude EVs under Tariff description 8703 from Excise Duty, including CKDs, sub-assemblies and components purchased by assemblers and manufacturers. |
| 2. | **EV 4-Wheeler**  **Passenger Cars** | 8703.40.00  8703.50.00  8703.60.00  8703.70.00  8703.80.00 | VAT - 16% | **VAT - Zero rated**  We propose that the Second Schedule to the VAT Act be amended by zero-rating EVs of Tariff descriptions 8703.40.00, 8703.50.00, 8703.60.00, 8703.70.00, and 8703.80.00, including CKDs, sub-assemblies and components purchased by assemblers and manufacturers. |
| Excise Duty - 10% | **Excise Duty - Exemption / Exclusion**  We propose that the First Schedule to the Excise Duty Act is amended to exclude EVs under Tariff descriptions 8703.40.00, 8703.50.00, 8703.60.00, 8703.70.00, and 8703.80.00 from Excise Duty, including CKDs, sub-assemblies and components purchased by assemblers and manufacturers. |
| 3. | **EV Buses** | 8702.xx.xx | Excise Duty  - 10% | **Excise Duty – Exemption / Exclusion**  We propose that the First Schedule to the Excise Duty Act is amended by deleting EV buses of Tariff descriptions 8702.40.11, 8702.40.21, 8702.40.91 to exclude them from the purview of Excise Duty, including CKDs, sub-assemblies and components purchased by assemblers and manufacturers. | See justification above. |
| 4. | **EV MHCVs & EV Trucks** | 8701.22.10  8701.23.10  8701.24.10  8704.41.10  8704.42.10  8704.43.10  8704.51.10  8704.52.10  8704.60.10  8704.60.90  8716.10.10 | VAT - 16% | **VAT - Zero rated**  We propose that the Second Schedule to the VAT Act be amended by zero-rating EVs of Tariff descriptions 8701 and 8704, including CKDs, sub-assemblies and components purchased by authorized assemblers and manufacturers. |
| Excise Duty - 10% | **Excise Duty - Exemption / Exclusion**  We propose that the First Schedule to the Excise Duty Act is amended to exclude EVs under Tariff descriptions 8701, 8704 and 8716 from Excise Duty, including CKDs, sub-assemblies and components purchased by authorized assemblers and manufacturers. |
| 5. | **Lithium Ion Parts and Components** including Cells, Battery Management System (BMS) and Telemetry Units for battery assembly | 8506.50.00  8506.50.10  8506.50.30  8506.50.90 | VAT – 16% | **VAT - Zero rated**  We propose that the Second Schedule to the VAT Act is amended by zero rating goods under Tariff descriptions 8506.50.00, 8506.50.10, 8506.50.30, and 8506.50.90 for use for electric vehicle charging. | These incentives are intended to promote the local assembly of lithium ion batteries, and to lower the cost to customers of battery services, including charging and swapping and rental. |
| Excise Duty - 10% | **Excise Duty -– Exemption/ Exclusion**  We propose that the First Schedule to the EDA is amended to exclude battery parts under Tariff descriptions 8506.50.00, 8506.50.10, 8506.50.30, and 8506.50.90 from Excise Duty |

**Closing Appeal**

The Finance Bill 2025 presents a pivotal opportunity for the Parliament to accelerate Kenya’s transition to clean, affordable and locally manufactured mobility. With targeted, time-bound incentives—spanning VAT and Excise Duty —Kenya can close the price gap between EVs and ICE vehicles, boost local assembly, attract investment and advance its climate and industrial goals. EMAK urges the Committee to adopt a comprehensive and inclusive e-mobility tax framework that covers the full EV ecosystem (including vehicles, parts, infrastructure, and services) and positions Kenya as Africa’s leading hub for e-mobility innovation and production.

We therefore reiterate our three key recommendations to support Kenya’s transition to clean, locally driven mobility:

1. **Retain existing tax incentives**—including VAT zero-rating for EV batteries, bicycles, motorcycles, and buses—to keep end-user costs low and avoid disadvantaging local assemblers. Shifting from zero-rating to exemption would remove input VAT recoverability and unintentionally favour importers over domestic producers.
2. **Expand fiscal incentives** to cover currently excluded EV categories such as passenger cars, as well as light and heavy-duty commercial vehicles. This will level the playing field across the entire sector and catalyse broader adoption and investment.
3. **Develop a phased 5–10 year roadmap** that begins by prioritising market growth—thereby proving Kenya’s commercial viability to large-scale investors—and gradually shifts to targeted incentives for local value addition, including assembly, manufacturing, and technology transfer.

We thank you for your consideration and continued support for this high-potential sector of the Kenyan economy.

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