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The Cabinet Secretary
National Treasury and Economic Planning
P.O. Box 30007-00100
Nairobi, Kenya

Cc:

- The Commissioner General, Kenya Revenue Authority
- The Chairperson, Departmental Committee on Finance and National Planning, National Assembly

**RE: PERSONAL POSITION PAPER ON THE PROPOSED REMOVAL OF VAT EXEMPTION FOR
AIRCRAFT SPARE PARTS IN THE FINANCE BILL 2025**

Dear Sir/Madam,

I am writing to express my **serious concern** regarding the proposed removal of VAT exemption for aircraft spare parts under the Finance Bill 2025.

As a **Kenyan aviation safety and quality management professional** with over 10 years of experience in the sector, I have witnessed first-hand the critical role that prompt, high-quality maintenance plays in ensuring aviation safety, reducing operational costs, and supporting Kenya's vision of becoming a regional aviation hub.

1. My Concerns

a. Increased Operational Costs:

The imposition of 16% VAT on aircraft spare parts—previously exempt—will substantially increase the cost of aircraft maintenance and operations. For instance, a critical aircraft component valued at KES 10 million would now attract an additional **KES 1.6 million** in VAT alone. This is a **significant burden** for local operators and could discourage investment in aviation.

b. Potential Compromise of Safety Standards:

As a safety-focused professional, I am concerned that these increased costs could lead to maintenance delays or the sourcing of substandard parts, inadvertently compromising Kenya's **strong safety record** in aviation.

c. Competitive Disadvantage:

Neighboring aviation hubs such as Ethiopia, South Africa, and Dubai continue to exempt aircraft parts from VAT. Imposing VAT in Kenya could lead airlines and maintenance organizations to **seek services elsewhere**, reducing revenue and jobs within Kenya's aviation sector.

2. Global Best Practices

Globally, aviation spare parts are often zero-rated or exempted from VAT to promote safety and competitiveness. For example:

- **EU Directive 2006/112/EC:** Exempts aircraft parts for commercial international aviation.
- **Ethiopia:** Exempts all aircraft spare parts to support Ethiopian Airlines' hub status.
- **US FAA regulations:** Support tax exemptions for parts used by commercial airlines.

Kenya's move would be **out of alignment** with these best practices and could jeopardize our status as an emerging regional aviation hub.

3. My Recommendations

1. Reinstate VAT Exemption for Aircraft Spare Parts

Please consider **retaining the previous wording of Paragraph 89** in the First Schedule to the VAT Act to ensure aircraft spare parts remain VAT-exempt.

2. Conduct a Comprehensive Impact Assessment

I urge you to engage directly with stakeholders, including aviation professionals and operators, to assess the real-world impact of this proposed VAT change on safety, competitiveness, and economic growth.

4. Conclusion

Kenya's aviation sector is essential for national growth and regional connectivity. Removing VAT exemptions for aircraft spare parts risks raising operational costs, reducing safety, and limiting our global competitiveness.

I therefore **respectfully request** that you reconsider the proposed changes in the Finance Bill 2025 and **reinstate the VAT exemption for aircraft spare parts**.

Thank you for your attention to this critical matter. I remain available to provide further insights or participate in any stakeholder consultations that may arise.

Yours sincerely,

Anthony Munyua.

Aviation Safety & Quality Management Professional