TAX INCENTIVES FOR ECO-FRIENDLY BUSINESSES, ELECTRIC VEHICLES AND SOLAR ENERGY PROJECTS

KENYA

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Kenya has enacted a number of tax incentives, backed by new legislative revisions and regulatory frameworks, to encourage solar energy installations, electric vehicles and environmentally conscious enterprises. The growth of solar energy projects and the use of electric vehicles are the goals of these policies.

- 🌿 **Eco-Friendly Business Incentives**

Through various mechanisms such as carbon taxes, ecological fiscal transfers, research grants, concessional loans, and incentives for Special Economic Zones and Export Processing Zones, the Draft National Green Fiscal Incentives Policy Framework (2023) aims to reduce greenhouse gas emissions while encouraging sustainable practices in sectors including waste management, manufacturing, and agriculture.

- ⚡ **Electric Vehicle (EV) Incentives**

Kenya's 2024 Finance Act intended to lower taxes and customs charges on electric vehicles in order to gradually phase out fossil fuel-powered vehicles. For fleet procurement and charging infrastructure, the government had set about $331,000. Reductions in corporate taxes, VAT exemptions and excise duties are examples of tax incentives. Tax exemptions, free charging infrastructure, rental car services, green license plates, and toll reductions are some more incentives.

- ☀ **Solar Energy Project Incentives**

Kenya canceled a 2020 tax increase by restoring VAT exemptions for solar and wind energy equipment. While the Income Tax Act permits quicker write-offs, the Customs and Excise Act provides exemptions from import duties. Adoption of solar energy is encouraged by green bonds and other incentives.

The table of incentives is presented below.

Sector	Incentive	Details
Eco-Friendly Business	Corporate Tax Reduction	15% for 10 years for companies in carbon trading certified by NIFC.
	SEZ/EPZ Incentives	100% investment deduction, reduced corporate tax rates, VAT and duty exemptions.
Electric Vehicles	Excise Duty Reduction	From 20% to 10% for fully electric vehicles.
	VAT & Duty Exemptions	For locally assembled EVs and batteries.
	E-Mobility Tariff	KSh 16/kWh (peak), KSh 8/kWh (off-peak) for consumption ≤15,000 units.
Solar Energy	VAT & Import Duty Exemptions	Zero-rated VAT and import duty exemptions for solar equipment.
	Feed-in Tariffs	Allows sale of excess solar power to the grid at fixed rates.
	Proposed VAT Changes	Finance Bill 2024 suggested limiting VAT exemptions to ongoing projects.

Businesses should seek up-to-date information from KRA or tax experts as tax regulations and incentives are subject to change. It is also advised that those working in the e-mobility and renewable energy sectors stay current with the Ministry of Energy and EPRA.

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