

# KENYA ASSOCIATION OF AIR OPERATORS' MEMORANDUM ON FINANCE BILL 2025

## 1. PREAMBLE

### 1.1 ABOUT THE ASSOCIATION

The Kenya Association of Air Operators (KAAO) is a registered National umbrella body which prides itself in being an authoritative and unified voice of advocacy for the Kenyan aviation industry. We represent the significant majority of air operators who are engaged in various services such as scheduled and non-scheduled passenger and cargo flights, humanitarian/relief flights, Air Ambulance, General Aviation, Unmanned Aircraft Systems (UAS) Operators, Hot-Air Balloon Operators, Approved Training Organizations (ATOs), Maintenance, Repair & Overhaul Organizations (MROs) and Approved Maintenance Organizations (AMOs).

### 1.2 BACKGROUND

The aviation sector is an indispensable component of Kenya's socio-economic fabric, underpinning crucial industries such as tourism, trade, agriculture, humanitarian aviation emergency services, and regional integration. It plays a pivotal role in boosting the nation's GDP, generating substantial employment opportunities across its value chain, and cementing Kenya's reputation as a vital regional aviation hub across Africa.

The Finance Bill, 2025, re-introduces significant tax provisions that will negatively affect the aviation sector, notably the restoration of longstanding Value Added Tax (VAT) exemptions on aviation-related goods and services, including aircraft, spare parts and maintenance equipment, RDL and IDF fees, and additionally withholding tax on exported goods

**Chapter 88 of the East African Customs Union Common External Tariff covers aircraft, spacecraft and parts thereof. By limiting this exemption to aircraft above 2,000Kgs, this disadvantages all other aviation equipment including spare parts under chapter 88 which are essential. Additionally, exemptions were given to the aviation sector on IDF and RDL on the clear understanding that this supported its relative competitiveness and efficiency in the region. Exemptions are not a good to have, but an essential part of the industry cost structure as most of the revenues are not VATable, meaning no offsets possible, thus having a direct impact on cash flows and operational costs.**

These exemptions have been instrumental in supporting sector recovery and growth following the COVID-19 pandemic, facilitating the restoration of passenger and cargo volumes, fleet modernization, supporting humanitarian services, and reinforcing Kenya's position as a key aviation hub in East Africa. Needless to say, the sector incurred significant losses through the COVID period, and policy support initiatives to stabilize the industry were much needed.

While taxation is a critical tool for public finance, its design and application must align strategically with national development priorities set forth in the National Aviation Policy and international best practices. Given the aviation sector's catalytic role and extensive multiplier effects across the economy, it requires a fiscally supportive environment. Any reversal of these exemptions would not only jeopardize recent progress but also compromise national development goals under **Kenya Vision 2030**, the **Bottom-Up Economic Transformation Agenda (BETA)**, the **African Continental Free Trade Area (AFCFTA)**, and the **Single African Air Transport Market (SAATM)**. As an established aviation hub in East Africa, Kenya's air transport sector is integral to the realization of economic growth, job creation, and global integration.

Extensive global evidence, including the European Commission's 2019 analysis of aviation taxation, demonstrates that aviation taxes substantially influence air connectivity, ticket prices, passenger demand, fleet acquisition, and overall industry competitiveness. The removal of aviation tax exemptions has been shown to reduce passenger volumes, employment, investment, and GDP contributions. While such taxes may generate short-term fiscal revenue, they risk distorting market dynamics, particularly in economies where aviation is foundational to tourism and economic growth.

This memorandum, prepared by the Kenya Association of Air Operators (KAAO), articulates the sector's concerns and provides a detailed analysis of the potential implications of the proposed tax amendments. It highlights the sector's significant contribution to the national economy, aligns the discussion with global and regional best practices, and offers evidence-based recommendations to guide policymakers toward sustainable, growth-oriented decisions.

The objective is to ensure that Kenya's aviation industry remains a catalyst for economic development, regional connectivity, and international competitiveness, while safeguarding the interests of all stakeholders involved which is clearly stipulated in the National Aviation Policy.

## 2. OVERVIEW OF THE AVIATION INDUSTRY IN KENYA

Kenya's aviation industry is a cornerstone of its socio-economic framework. Beyond connecting people and places, it serves as a catalyst across diverse sectors: powering tourism, enabling trade, advancing film and photography, and sustaining high-skilled employment. It is indispensable in delivering humanitarian aid, facilitating emergency medical evacuations, and supporting scientific and environmental research. In the realm of conservation, aviation strengthens wildlife protection efforts through aerial patrols, rapid anti-poaching deployments, and improved access to remote ecosystems. From precision agriculture to connecting underserved regions, aviation weaves through nearly every facet of national development. The prevailing VAT exemption regime has been instrumental in safeguarding Kenya's status as a strategic and competitive aviation hub on the continent. This strategic positioning is reflected in the consistent volume of aircraft movements over the years (see *Appendix 1, Figure 2*), underscoring aviation's growing importance in supporting national and regional development goals.

According to a report by the International Air Transport Association (IATA) titled [\*The Importance of Air Transport to Kenya\*](#), the aviation sector and its supply chain contribute **USD 1.2 billion** to Kenya's Gross Domestic Product (GDP) annually equal to 1.1% to total national GDP. When the wider supply chain, tourism activities and employee spending are included, the sector supports a combined KES 425 billion (USD 3.3 billion) in economic activity, accounting for **3.1%** of the national GDP.

Moreover, the aviation industry is a significant source of employment, directly and indirectly supporting 460,000 jobs, including 21,100 people are directly employed in aviation, generating USD 1.2 billion of economic output, equal to 1.1% of total GDP. Moreover, the tourism sector, heavily reliant on-air travel, contributes USD 1.2 billion to Kenya's GDP and provides employment for 242,200 people. Additionally, international tourists arriving by air are estimated to inject USD 1.9 billion annually into the economy through their spending on local goods and services.

## 2.1 ECONOMIC CONTRIBUTION TO VARIOUS SECTORS

### *i. Tourism*

Aviation is the lifeblood of Kenya's tourism industry—a key economic pillar within the East African Community (EAC). Over **70% of international tourists** arrive by air, and the availability of direct international flights to Nairobi, Mombasa, and other regional airports has enabled Kenya to position itself as a top destination for safari, coastal, and conference tourism. Without robust air connectivity, the competitiveness of Kenya's tourism offering would significantly diminish. The projected growth in passenger traffic through JKIA, as shown in *Appendix 1 Figure 3*, underscores the ongoing and future importance of aviation in sustaining and expanding Kenya's tourism industry.

### *ii. Agriculture and Trade*

Kenya's agriculture sector—the backbone of the economy—relies heavily on aviation for the export of perishable high-value goods such as cut flowers, fruits, vegetables, and herbs to markets in Europe, the Middle East, and Asia. According to the Horticultural Crops Directorate (HCD) 2023 Annual Report, Kenya exported over **250,000 tonnes of cut flowers**, earning approximately **KSh 107.6 billion**. Avocado exports reached **122,581 tonnes**, valued at **USD 159 million**, with most of the premium shipments relying on air freight to maintain quality and freshness. Air transport enables swift delivery to international markets, safeguarding product integrity and export earnings. As illustrated on *Appendix 1 Figure 4*, the number of freight movements through Jomo Kenyatta International Airport (JKIA) reflects the scale and consistency of cargo operations supporting this trade. JKIA remains one of Africa's busiest cargo hubs, handling between **350,000 and 400,000 tonnes** of cargo annually, as noted by the Kenya Airports Authority (KAA, 2023), due in part to its modern cold-chain infrastructure and strategic positioning.

### *iii. Health, Emergencies, and Humanitarian Operations.*

Aviation also plays an essential role in supporting **humanitarian operations, medical evacuations, and disaster response**, particularly in remote and underserved areas. In 2022, AMREF Flying Doctors conducted over 960 evacuations (AMREF 2022), while the UN Humanitarian Air Service (UNHAS) supported relief operations in remote areas. Additionally, the expansion of **Unmanned Aircraft Systems (UAS)** has accelerated emergency response and last-mile medical delivery. Since 2023, Zipline has completed over 6,300 drone deliveries of medical supplies (Scholar Media Africa), with Kisumu County alone accounting for over 10,000 flights where 40% were emergency supplies (Africa Science News). These efforts highlight the growing impact of aviation and drone technology in strengthening public service delivery across the country.

#### *iv. Training and Maintenance Hub*

Kenya is widely recognized as a **regional leader in aviation training and aircraft maintenance**, hosting **17 Approved Training Organizations (ATOs)** (*see Appendix 2 Table 1*) and **Approved Maintenance Organizations (AMOs)**. These institutions not only serve local demand but also attract trainees and aircraft from the wider Africa region, reinforcing Kenya's stature as a regional aviation hub.

## **2.2 INTERNATIONAL COMPARISONS AND BENCHMARKING**

**What is the impact of uneven and unpredictable tax policy relative to ICAO recommendations and the approved Kenyan National Aviation Policy?**

1. Increased costs on importation of aircraft, aircraft engines and parts thereof (i.e. propellers, rotors, under carriages etc.)
2. Increased cost of maintenance leading to increased operational costs which will ultimately be borne by the travelling public impacting Kenya's aviation sector competitiveness.
3. Cost increases deter airlines from timely maintenance and purchase of uncertified parts impacting safety.
4. International Air Transport is different. Its global nature justifies exemption of VAT, RDL, IDF among other taxes for an even playing field.
5. It is directly contrary to the Government's own ambition of job creation enumerated in BETA, and sustainability for a sector that has a direct multiplier effect on the economy.

Globally, aviation is widely recognized as a strategic industry warranting preferential fiscal treatment. In line with ICAO policies on taxation (**ICAO Doc 8632**), signatory states are encouraged to exempt aviation fuel, aircraft, spare parts, and international transport services from taxation to foster sustainable growth in air transport.

The European Commission's 2019 report on aviation taxation corroborates that removing such exemptions leads to increased ticket prices, reduced passenger volumes, and diminished employment within the sector. These adverse effects occur with only limited environmental or fiscal benefits, particularly in less mature markets where aviation acts as a critical development multiplier.

Within the African context, multiple jurisdictions have maintained VAT exemptions or zero-rating mechanisms to preserve sector competitiveness and attract investment. **At an Africa level, and linked to the AfCFTA, the Economic Community of West African States (ECOWAS), has decided to eliminate taxes on aviation by 2026.**

**Table 1: A comparative analysis of other countries Aviation Taxation**

Country	Provision	Incentive
<b>Tanzania</b>	Importation of aircraft, engines, and parts	VAT Exempt
<b>Uganda</b>	Leased aircraft, engines, spares, and MRO services	Zero-rated (Indefinitely)
<b>Rwanda</b>	Aircraft, spare parts, and maintenance tools	VAT Exempt
<b>Nigeria</b>	Imports and leases by Nigerian-registered airlines	Zero-rated, plus excise exemption
<b>Angola</b>	Supplies for international traffic aircraft	Zero-rated
<b>Mozambique</b>	Lease, repair, maintenance, and freight for aircraft	Zero-rated
<b>Malawi</b>	Importation of aircraft and spacecraft	VAT Exempt
European Union	Aircraft and aircraft parts by airlines operating 50% of their flights internationally	VAT Exempt
China	International transportation services, repair and maintenance for aircraft used in international flights	Zero-rated
United Arabs Emirates	Importation of aircraft and related services for international transportation	Zero-rated
Singapore	International air transport services, aircraft leasing, maintenance, and repair services	Zero-rated

## Source

1. National Finance Acts (2023), *PWC VAT and Indirect Taxes in Africa – A Guide*, and ICAO Taxation Policy (Doc 8632), [VAT exemption for aircraft scope of the exemption for international airlines](#)
2. China VAT essentials guide 2021: <https://assets.kpmg.com/content/dam/kpmg/cn/pdf/en/2021/02/china-vat-essentials-guide-2021.pdf>
3. Ministry of Finance-UAE: <https://mof.gov.ae/vat/>
4. Inland Revenue Authority of Singapore (**IRAS**): [https://www.iras.gov.sg/taxes/goods-services-tax-\(gst\)/charging-gst-\(output-tax\)/when-to-charge-0-gst-\(zero-rate\)/providing-international-services](https://www.iras.gov.sg/taxes/goods-services-tax-(gst)/charging-gst-(output-tax)/when-to-charge-0-gst-(zero-rate)/providing-international-services)

### 3. KAAO PROPOSAL ON THE FINANCE BILL 2025

PART III – VALUE ADDED TAX					
Clause No.	Description of the Clause	Current Provision (VAT Act No. 35 of 2013)	Proposed Amendment	Economic Impact	Benefit
346	<p><i>First Schedule to Cap.476</i></p> <p>36. SECTION A OF PART I OF THE FIRST SCHEDULE TO THE VALUE ADDED TAX IS AMENDED – (a) by deleting paragraph 49;</p> <p>49. All goods and parts thereof of chapter 88;</p>	49. All goods and parts thereof of chapter 88;	Delete	<p>The introduction of 16% VAT on importation of aircraft, spacecraft and parts thereof under Chapter 88 will result in Kenyan operators losing their competitiveness due to increased costs of purchase, leasing or financing of these equipment. This in turn will result in increased operational costs which will be cascaded down to the consumers and the public travelling.</p> <p>It may also lead to safety concerns deterring airlines from timely maintenance therefore impacting safety.</p> <p>Increased costs will also discourage investors from registering aircraft in the Kenyan registry, which will impact revenue generated by the Kenya Airports Authority and Kenya Civil Aviation Authority in the form of fees and charges.</p>	<p>Sector competitiveness and a more inducive environment for investment. This therefore cross facilitates other sectors and economic activities including but not limited to Tourism, Trade, Surveillance, Agriculture, Medicine, Training, Maintenance etc. The trickledown effect is eventually the creation of more jobs and services, overall contributing to the growth of our GDP.</p> <p>Kenya's aviation industry has experienced notable growth under the current tax regime, as reflected in the recent acquisition of new equipment by various operators. From 2023 to date, several aircraft and related assets have been registered in the country (see details below). These developments signal a strong upward trajectory for the sector, reinforcing Kenya's position as a regional aviation market leader.</p> <ul style="list-style-type: none"> <li>- X1 B7237-800F</li> <li>- X1 ATR 72-500</li> </ul>

				<p>As shown in Appendix 1, Figure 1, the annual passenger statistics for key airports highlight the scale and growth of air travel. This underscores the importance of maintaining cost efficiency in the industry.</p>	<ul style="list-style-type: none"> <li>- X1 Bombardier CRJ200</li> <li>- X2 Dash 8 400</li> <li>- X2 Dash 8 100</li> <li>- X6 C208B</li> <li>- X2 C172</li> <li>- X1 F100</li> <li>- X1 F70</li> <li>- X1 Airbus H125</li> <li>- X2 Boeing 737-400F</li> <li>- X1 Boeing 737-300F</li> <li>- X1 Dash 8-200</li> <li>- X1 Cessna 208</li> <li>- X1 Dash 8-400</li> <li>- X1 Cessna Citation 680 Sovereign</li> <li>- X1 Pilatus PC-12NG</li> <li>- X1 ATR 72-500</li> <li>- X1 ATR 42-500</li> </ul> <p>Such developments are more than just numbers on a registry—they are markers of an industry on the ascent. They affirm Kenya’s growing stature as a regional aviation leader, where policy, purpose, and progress continue to align.</p>
	<p><b>Our Request</b>  <b>Reinstate paragraph 49 allowing for exemption of aircraft and spare parts from VAT.</b></p>				
346	<p><i>First Schedule to Cap.476</i></p> <p>36. SECTION A OF PART I OF THE FIRST SCHEDULE</p>	<p>58. Direction-finding compasses, instruments and</p>	<p>Delete</p>	<p>Introduction of 16% VAT on Direction-finding compasses, instruments and appliances for aircraft will result in higher cost</p>	<p><b>Modernization of fleet</b>  This will encourage maintenance and modernization of fleet which</p>

	<p>TO THE VALUE ADDED TAX IS AMENDED – (c) by deleting paragraph 58;</p> <p>58.Direction-finding compasses, instruments and appliances for aircraft.</p>	appliances for aircraft.		<p>for aircraft maintenance, which has a safety implication as the costs will be extremely high. This will have a negative impact to local aircraft maintenance organizations since it will be cheaper to outsource maintenance activities in other countries within the region thereby making Kenya uncompetitive. This will result in the loss of jobs.</p>	<p>will make Kenya have good safety records globally.</p> <p><b>Boost to Economy</b> Overall, Kenya remains an aviation hub in the region. This will encourage companies from the region to seek maintenance services from Kenya thereby boosting the country's economy.</p> <p><b>Creation of jobs</b> Robust aviation maintenance activities will result in creation of jobs for the country.</p>
	<p><b>Our Request</b> <b>Reinstate Section 58 that allows for exemption of Direction-finding compasses, instruments and appliances for aircraft from VAT.</b></p>				
347	<p><i>First Schedule to Cap.476</i></p> <p>36. SECTION A OF PART I OF THE FIRST SCHEDULE TO THE VALUE ADDED TAX IS AMENDED – (f) in paragraph 89, by deleting the words ‘other aircraft spare’ and substituting therefor the word ‘aircraft’.</p> <p>89. Any other aircraft spare parts imported by aircraft operators or persons engaged in the business of aircraft maintenance upon recommendation by the</p>	<p>89 Any other aircraft spare parts imported by aircraft operators or persons engaged in the business of aircraft maintenance upon recommendation by the competent Authority responsible for civil aviation.</p>	<p>Delete the word ‘aircraft’ and include the words ‘all goods and parts thereof of Chapter 88, and any other aircraft spare parts imported by aircraft operators or persons engaged in the business of aircraft maintenance upon recommendation by the competent Authority responsible for civil aviation</p>	<p>The risk includes increased costs for the entire aviation sector due to VAT on aircraft spare parts and other goods of chapter 88.</p> <p>This has a direct impact on costs of maintenance and the well-established MRO business in the country, which can quickly move to neighboring jurisdictions where these taxes are not applied. This has in the past benefited Tanzania and Ethiopia who do not charge VAT on aircraft spare parts.</p> <p>This section now provides for exemption of aircraft.</p>	<p>Improved safety and growth of MRO business, and reduced cost of doing business and cost to the end consumer.</p> <p>Having said the above, it is important to be alive to the risk of bureaucracy and back-log that the approval process through the competent authority will bring if tasked with more than the existing provisions which only cover the non-chapter 88 aircraft part and spare parts.</p>

	competent authority responsible for civil aviation.			Aircraft spare parts are not exempted from VAT with deletion of other aircraft spares and paragraph 49 above. This amendment will impact on local operators since the income on local transportation of pax and cargo is exempted from VAT.	
<b>Our Request</b> <b>Reinstate exemption from VAT on all goods of Chapter 88 above and any other aircraft spare parts to cover those that not under Chapter 88.</b>					

PART VI – MISCELLANEOUS FEES AND LEVIES					
Clause No.	Description of the Clause	Current Provision	Proposed Amendment	Economic Impact	Benefit
358	<i>Second Schedule of Cap 469C</i>  58. SECOND SCHEDULE OF THE MISCELLANEOUS FEES AND LEVIES ACT IS AMENDED - Part A — GOODS EXEMPT FROM IMPORT DECLARATION FEE WHEN IMPORTED OR PURCHASED BEFORE CLEARANCE THROUGH CUSTOMS (i) by deleting paragraph (xv)  (xv) All goods and parts thereof of Chapter 88;	GOODS EXEMPT FROM IMPORT DECLARATION FEE  All goods and parts thereof of Chapter 88;	Delete	<b>Increased operational costs</b> for local air operators, AMOs (Approved Maintenance Organizations), and related aviation service providers, who will now face 3.5% more on import costs (1.5% IDF + 2% RDL).  <b>Higher maintenance and safety costs</b> will lead to longer aircraft downtimes, use of older aircraft, or cutting of services to low-traffic regions—ultimately weakening air connectivity, especially for humanitarian and medical services.	<b>Improved Safety and Compliance</b> The removal of these levies will facilitate quicker and more affordable access to genuine spare parts, encouraging timely maintenance. This ensures aircraft safety and enhances Kenya’s compliance with international aviation safety standards, boosting the country’s reputation as a reliable aviation jurisdiction.  <b>Strengthened Regional Competitiveness</b> By aligning Kenya’s tax regime with those of Ethiopia, Rwanda, and other aviation-friendly nations, this move reinforces Kenya’s

				<p><b>Negative spillover effects</b> on sectors dependent on aviation, such as:</p> <ul style="list-style-type: none"> <li>• <b>Tourism</b> – According to projections by the Tourism Research Institute (TRI), Kenya aims to welcome over <b>5 million international tourist arrivals annually by 2028</b>, more than doubling the current figures. Achieving this target depends significantly on affordable air travel and expanded connectivity. Increased airfare and reduced route access, driven by adverse fiscal changes, could deter tourists and threaten these ambitious projections, ultimately impacting both tourism and aviation sector revenues.</li> <li>• <b>Film and photography</b> – aerial equipment and aircraft use in filmmaking (e.g., for safaris, documentaries) will become costlier.</li> <li>• <b>Humanitarian aviation</b> – emergency response by air (e.g., drought, flood relief) could slow due to increased costs.</li> <li>• <b>Aviation training</b> – flight schools and maintenance training facilities will face increased costs on imported simulators, engines, and avionics, reducing the</li> </ul>	<p>position as the region’s preferred aviation services destination, especially in Maintenance, Repair and Overhaul (MRO), cargo handling, and aviation logistics.</p> <p><b>Boost to Economy</b> Overall, Kenya remains an aviation hub in the region. Eliminating IDF and RDL on aircraft parts lowers operational costs, encouraging regional airlines to base their maintenance and repair activities in Kenya. This will attract foreign exchange, support local aviation businesses, and stimulate growth across allied industries such as tourism, cargo, humanitarian aid, and filming, aviation training, — ultimately boosting the country’s economy.</p>
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				<p>attractiveness of Kenya as a training destination.</p> <p><b>Undermines Kenya’s status as a regional aviation hub,</b> especially compared to Ethiopia, Rwanda, and South Africa—who maintain targeted exemptions to boost the industry.</p>	
	<p><b>Our Request</b>  <b>Reinstate the exemption for all goods and spare parts of chapter 88.</b></p>				
358	<p><i>Second Schedule of Cap 469C</i></p> <p>58. SECOND SCHEDULE OF THE MISCELLANEOUS FEES AND LEVIES ACT IS AMENDED -  Part A — GOODS EXEMPT FROM IMPORT DECLARATION FEE WHEN IMPORTED OR PURCHASED BEFORE CLEARANCE THROUGH CUSTOMS</p> <p>(ii) by deleting paragraph (xva) substituting the following new paragraph -  (xva) all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00</p>	<p>GOODS EXEMPT FROM IMPORT DECLARATION FEE  (xva) any other aircraft spare parts including aircraft engines imported by aircraft operators or persons engaged in the business of aircraft maintenance upon recommendation by the competent authority responsible for civil aviation.</p>	Delete	<p><b>Disproportionate impact on small operators:</b> This amendment narrows the scope of exemption to only large commercial aircraft, effectively excluding small and medium aircraft such as those used for flight training, tourism, film production, private charter, and humanitarian relief.</p> <p>This will disproportionately affect smaller operators who form a large portion of Kenya’s general aviation sector and lack the economies of scale to absorb increased costs. These operators will now bear the full brunt of added costs.</p> <p><b>Reduced pilot training opportunities:</b> Higher cost of</p>	<p><b>Inclusive sector growth:</b> Broad-based exemptions ensure that small and medium enterprises (SMEs) in aviation, including ATOs, AOC and AMOs, can operate sustainably and expand.</p> <p><b>Accessibility and equity:</b> Retaining exemptions for light aircraft promotes air access to underserved areas and supports national cohesion goals.</p> <p><b>Aviation talent development:</b> Affordable flight training supports the development of pilots, engineers, and technicians needed to drive future growth.</p> <p><b>Stimulation of drone ecosystem:</b> Kenya’s leadership in drone delivery and UAS services depends</p>

			<p>simulator parts, avionics, and engines will result in costlier training programs, reducing the number of new pilots entering the job market.</p> <p><b>Tourism sector vulnerability:</b> Safari operators and aerial tour providers use light aircraft to reach remote parks and conservancies. Increased costs may lead to fewer routes, reduced frequency, or higher prices, dampening tourism growth.</p> <p><b>Barriers to innovation and drone use:</b> Emerging players in UAS, including logistics and medical drone services, will struggle to scale operations due to higher import costs on drone parts and systems.</p> <p><b>Aircraft Spares and parts thereof:</b> An important part of the aviation cost structure is aircraft spare parts which are life limited and require constant replacement.</p>	<p>on predictable, low-cost access to aircraft components.</p> <p><b>Competitiveness across services:</b> Supporting diverse aircraft categories reinforces Kenya's attractiveness in film production, conservation, surveillance, and specialized logistics.</p>
	<p><b>Our Request</b>  <b>Reinstate the exemption for any other aircraft spare parts including aircraft engines imported by aircraft operators or persons engaged in the business of aircraft maintenance upon recommendation by the competent authority responsible for Civil Aviation.</b></p>			

358	<p><i>Second Schedule of Cap 469C</i></p> <p>58. SECOND SCHEDULE OF THE MISCELLANEOUS FEES AND LEVIES ACT IS AMENDED - Part B — GOODS EXEMPT FROM THE RAILWAY DEVELOPMENT LEVY WHEN IMPORTED OR PURCHASED BEFORE CLEARANCE THROUGH CUSTOMS (i) by deleting paragraph (xiii)  (xiii) all goods and parts thereof of Chapter 88; (xvi)</p>	<p>GOODS EXEMPT FROM THE RAILWAY DEVELOPMENT</p> <p>All goods and parts thereof of Chapter 88;</p>	Delete	<p><b>Cumulative cost burden:</b> The additional 2% RDL on all aircraft, spacecraft and parts thereof including engines creates an untenable cost structure to ALL aviation related operators.</p> <p><b>Diverted maintenance spending:</b> Operators will choose to outsource maintenance to countries with lower taxes, redirecting investment and jobs away from Kenya’s MRO sector as was witnessed prior to the Finance Bill 2023.</p> <p><b>Slowdown of aircraft modernization:</b> Higher costs reduce the financial viability of replacing aging aircraft with more fuel-efficient models, undermining Kenya’s green aviation goals.</p> <p><b>Weakened aviation ecosystem:</b> Rising input costs across the board may result in reduced profitability for operators, job losses, and closure of marginal aviation businesses.</p>	<p><b>Retention of MRO investments:</b> Maintaining exemptions encourages investment in local maintenance facilities and attracts regional contracts.</p> <p><b>Efficiency in logistics:</b> Lower aircraft part costs improve turnaround time, reduce service interruptions, and enhance sector reliability.</p> <p><b>Enhanced public service capacity:</b> Cost-effective operations support continued delivery of critical public functions such as airlifting vaccines, aerial spraying, and disaster relief.</p> <p><b>Environmental alignment:</b> Affordability in aircraft renewal supports the shift to cleaner, more efficient aviation technologies.</p> <p><b>Support for Kenya Vision 2030 and BETA:</b> A fiscally enabling environment fosters sector expansion aligned with national economic transformation goals.</p>
358	<p><i>Second Schedule of Cap 469C</i></p> <p>58. SECOND SCHEDULE OF THE MISCELLANEOUS</p>	<p>GOODS EXEMPT FROM THE RAILWAY DEVELOPMENT</p>	Delete	<p><b>Exclusion of light and specialized aircraft:</b> Narrowing the exemption eliminates relief for aircraft most used in training,</p>	<p><b>Balanced industry support:</b> Full exemptions for all aircraft types ensure equitable development</p>

	<p>FEES AND LEVIES ACT IS AMENDED -</p> <p>Part B — GOODS EXEMPT FROM THE RAILWAY DEVELOPMENT LEVY WHEN IMPORTED OR PURCHASED BEFORE CLEARANCE THROUGH CUSTOMS</p> <p>(ii) by deleting paragraph (xvi) and substituting therefor the following new paragraph- (xvi) all parts of chapter 88 and goods of tariff heading 8802.30.00 and 8802.40.00</p>	(xvi) any other aircraft spare parts including aircraft engines imported by aircraft operators or persons engaged in the business of aircraft maintenance upon recommendation by the competent authority responsible for civil aviation;		<p>tourism, conservation, and medical flights.</p> <p><b>Erosion of Kenya’s training leadership:</b> Foreign trainees may opt for countries with lower costs, impacting revenue and regional dominance in aviation training.</p> <p><b>Reduced operational capacity in remote areas:</b> Light aircraft enable access to areas with limited road infrastructure. Cost increases may lead to reduced service or exit from the market.</p> <p><b>Constrained adoption of drone technology:</b> UAV operators will face new cost pressures just as public and private sector demand for drone services is expanding.</p>	<p>across all aviation tiers.</p> <p><b>Strategic advantage in regional training:</b> Kenya retains its competitive edge as a centre of excellence for pilot and aircraft technician training.</p> <p><b>Strengthened rural development:</b> Light aircraft enable agricultural, emergency, and educational access across hard-to-reach regions.</p> <p><b>Scalable innovation:</b> Cost savings allow UAV startups to scale drone-based services in healthcare, logistics, and agriculture.</p> <p><b>Diversified growth:</b> A thriving general aviation sector complements commercial carriers and ensures sector-wide resilience in volatile market conditions.</p>
340	<p>Section 35 of the Income Tax is amended— (a) in subsection (1), by inserting the following new paragraph immediately after paragraph (t)—</p> <p>(u) gains or profits which are chargeable to tax under section 9(1) derived from the</p>	N/A	Delete	<p>The gross earnings of nonresident Shipowner, charterer or air transport operator and any ship or aircraft owned or chartered will now be subject to withholding tax in Kenya.</p> <p>The withholding tax of 20% on nonresident business will hinder effectively becomes a cost</p>	<p>Tax exemption has made Kenya competitive in the global markets. Kenya is a great source of Agricultural products to export market. This has been a source of foreign earnings for decades. Exemption from tax will ensure Kenya remains competitive in global market.</p>

	business of a ship owner or charterer;			impacting Kenya's competitiveness due to the limited Double Tax Treaties. Nonresidents will not be able to recoup the tax paid in Kenya. This increases the cost of doing business.	
<b>Our Request.</b> <b>Delete subsection (u) of Section 35 (1); the new provision.</b>					
338	<i>INCOME TAX ACT CAP 470</i>  8. Section 15 of the Income Tax Act is amended - (c) in subsection 4, by inserting the word 'five' immediately after the word 'succeeding'	(4) Where the ascertainment of the total income of a person results in a deficit for a year of income, the amount of that deficit shall be an allowable deduction in ascertaining the total income of such person for that year and the succeeding years of income.	Delete	Five years period is arbitrary in a capital-intensive business, where companies accrue tax losses due to accelerated tax allowances	The aviation sector is recovering from Covid where significant tax losses were incurred. Limiting the period of tax losses without recognizing this and investment allowances given is inherently unfair for the sector and will discourage investments.
<b>Our Request.</b> <b>We request the amendment of this proposal by retaining the provision to carry forward the tax losses in the year of income and succeeding years of income.</b>					

## 5. CONCLUSION

The Finance Bill 2025 seeks to reintroduce VAT, Import Declaration Fees (IDF), and Railway Development Levy (RDL) on aircraft, parts, and maintenance services—measures that would fundamentally alter the cost structure of aviation in Kenya. These proposed changes threaten to unravel recent progress made and puts at risk Kenya's position as a regional leader in air connectivity, fleet modernization, and innovation. They also run counter to ICAO and EAC policy frameworks recommending tax exemptions on international air transport inputs due to their wide-reaching economic impact.

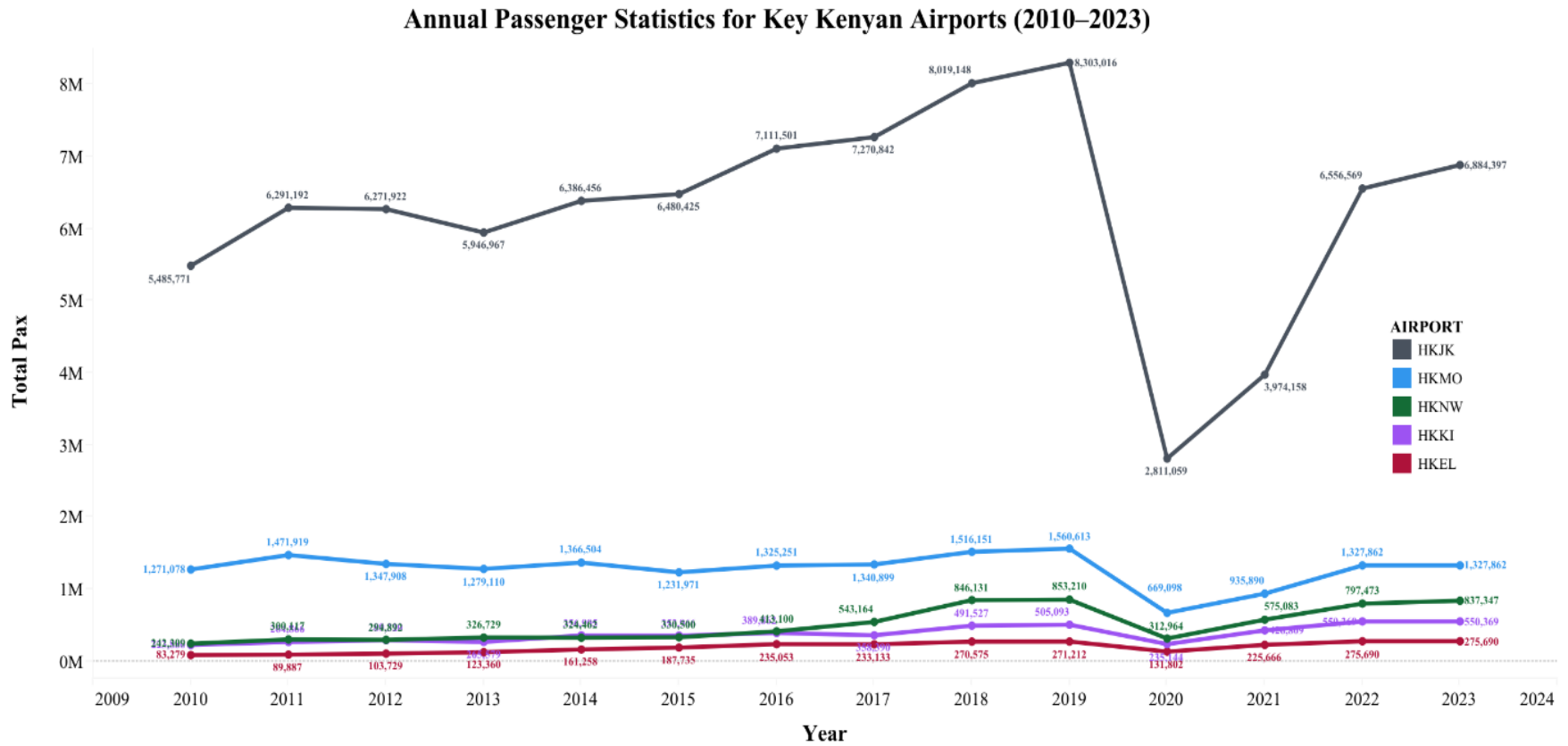
Tourism, a cornerstone of Kenya's economy, stands to suffer the most. With over 70% of international tourists arriving by air and light aircraft playing a vital role in connecting visitors to national parks and coastal destinations, any increase in aviation costs will directly affect visitor volumes. The government projects international tourist arrivals to exceed 5 million by 2028, a target that hinges on affordable, reliable air access. Furthermore, the domestic air travel market is vibrant and a key connector for both business and leisure travel with projections indicating growth to over 6 million passengers by 2028. (Source: *Kenya Airports Authority*). Burdening the aviation sector with new taxes risks driving up fares, shrinking route networks, and ultimately eroding Kenya's brand as a premier destination. To protect this growth, and the thousands of jobs and businesses tied to it, Parliament must uphold the current exemptions and reaffirm aviation's role as a national economic driver and in line with the Government's own National Aviation Policy.

To safeguard economic growth, environmental goals, and regional leadership, it is imperative that Parliament upholds existing VAT, IDF, and RDL exemptions, aligning with ICAO and EAC frameworks. This will ensure Kenya remains at the forefront of aviation innovation in Africa.

**Finally, it is not without concern that despite the Departmental Committee on Finance and National Planning pronouncing itself three times on these matters in support of the industry and its role, these proposals are re-instated in the Finance Bill 2025. The industry needs certainty on policy and the current constant twist and turns in policy environment do not give confidence for long term and capital-intensive investments required for the sector to flourish.**

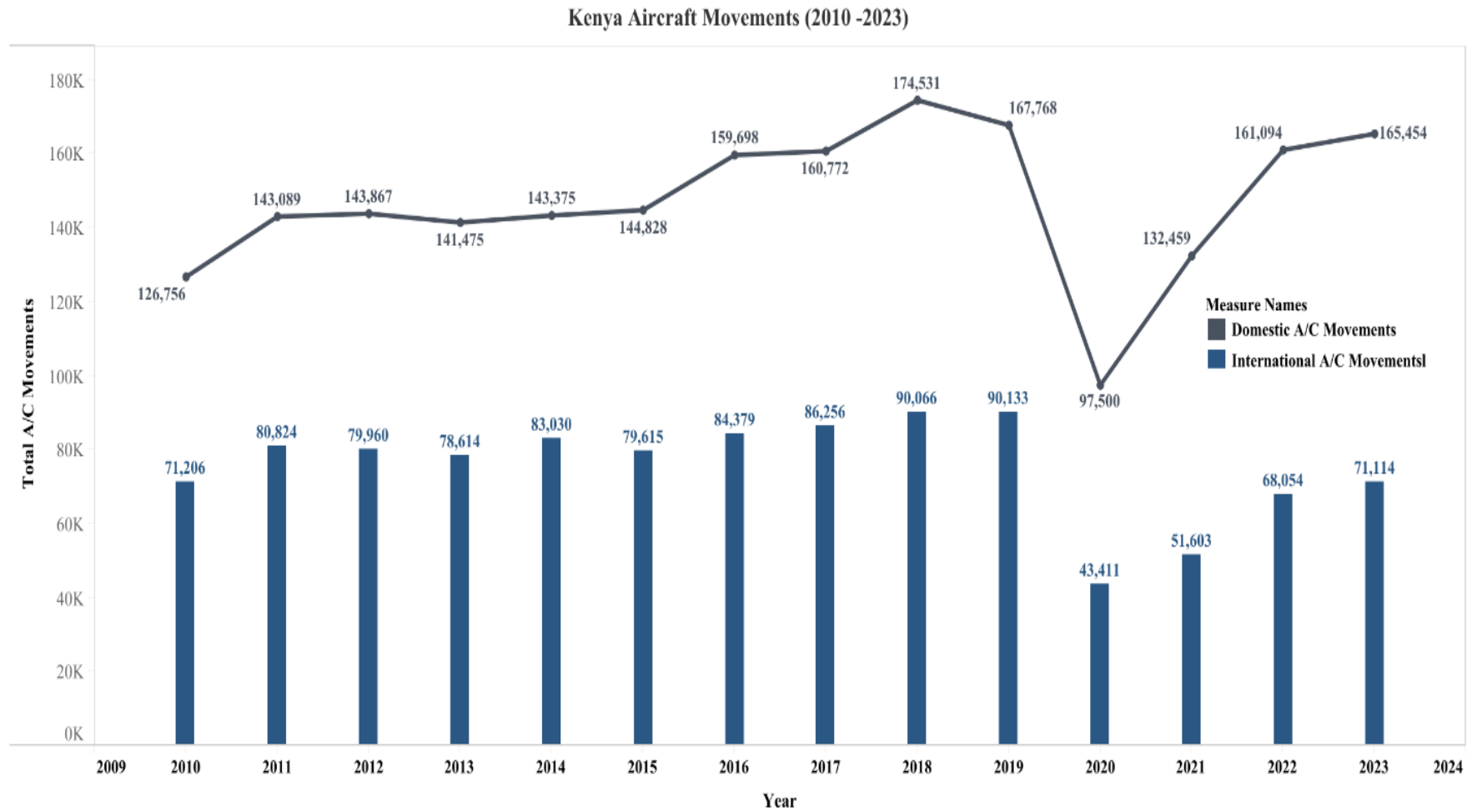
## Appendix 1

Figure 1: Passenger Statistics at the five major Airports (2010-2023)



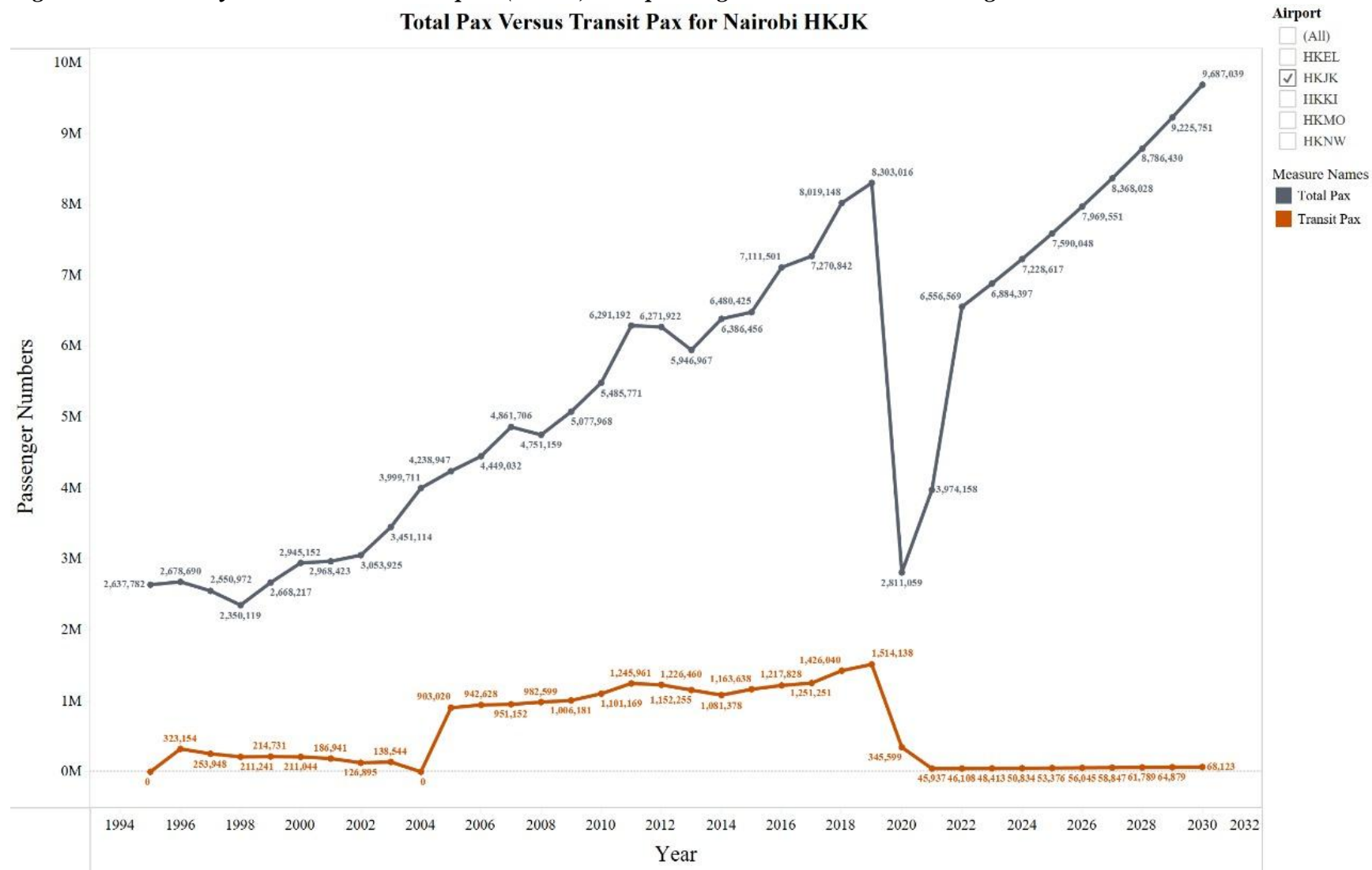
Source: Kenya Airports Authority

**Figure 2: Domestic vs International A/C Movements (2010-2023)**



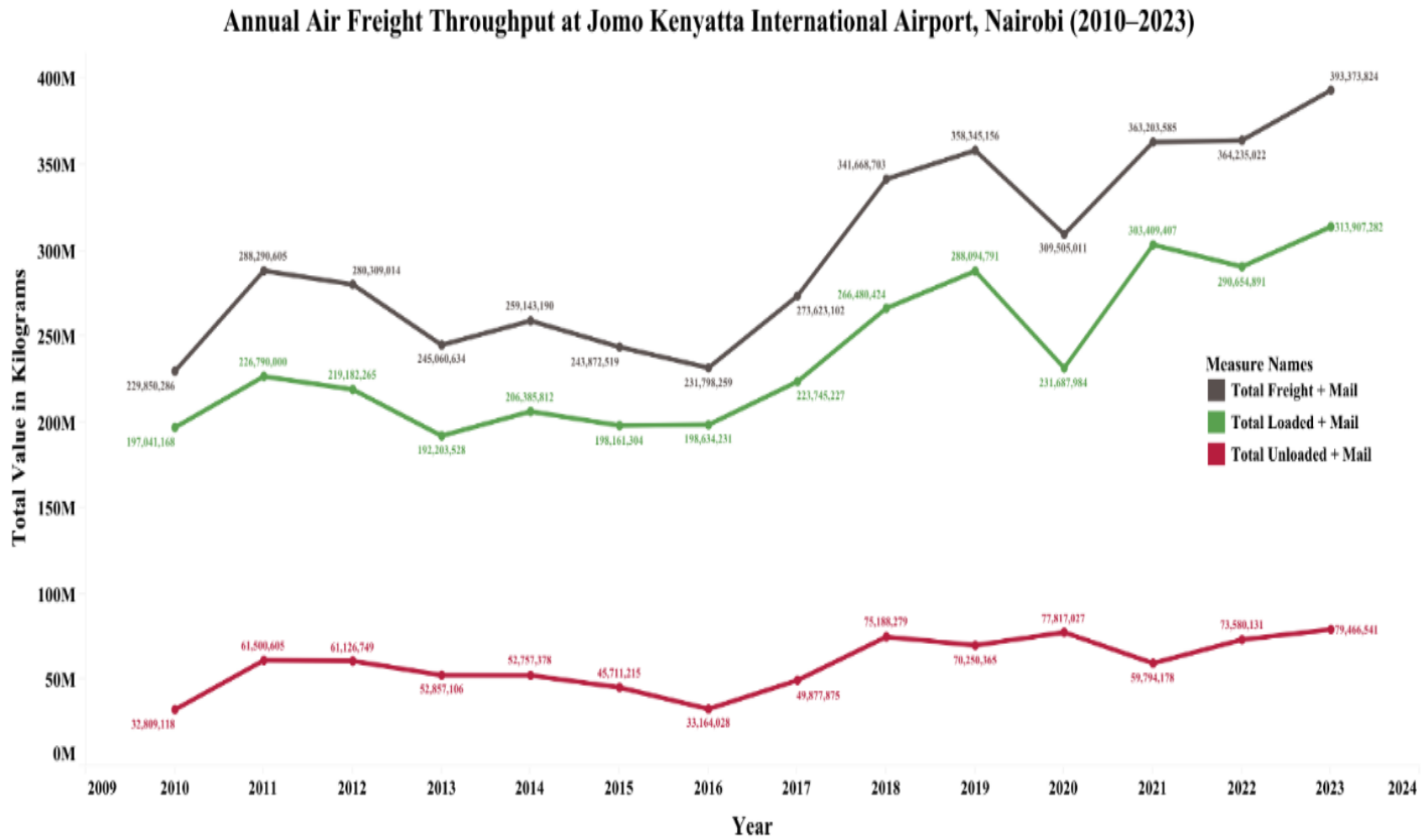
**Source: Kenya Airports Authority**

**Figure 3: Jomo Kenyatta International Airport (HKJK) total passenger versus Transit Passengers**



**Source: Kenya Airports Authority**

Figure 4: Freight + Mail Statistics (2010-2023)



Source: Kenya Airports Authority

## Appendix 2

**Table 1: List of Approved Training Organizations**

ATO No.	ATO Name	Postal Address	Courses	ATO Location
1	East African School of Aviation	P. O. Box 30689-00100, NAIROBI	FOO, ATC, AMEL	Old Airport Road, Embakasi
2	Kenya School of Flying	P. O. Box 74714- 00100, NAIROBI	PPL, CPL, ATPL, MULTI ENGINE, IR, FIR	Wilson Airport; Malindi Airport; Orly Airpark
3	Standards Aviation	P. O. Box 1255- 00200, NAIROBI	PPL, CPL, ATPL, FIR	Wilson Airport
4	Flight Training Centre	P. O. Box 45538-00100, NAIROBI	PPL, CPL, ATPL, FIR, MULTI-ENGINE, IR	Wilson Airport; Nyaribo Airstrip; Mombasa Airport
5	Ninety Nines Flying School	P. O. Box 46968-00100, NAIROBI	PPL, CPL, MULTI-ENGINE, IR, FIR, FOO	Wilson Airport
6	Proactive Air Services	P. O. Box 9135-00300, NAIROBI	PPL, CPL, MULTI-ENGINE, IR	Wilson Airport
7	Kenya Aeronautical College Flying School	P. O. Box 6372-00200, NAIROBI	PPL, CPL, ME-IR, FOO	Wilson Airport; Malindi Airport
8	Aerosafe Africa Consultants	P. O. Box 24557-00100, NAIROBI	FOO	Wilson Airport
9	Nairobi Flight Training	P. O. Box 16050-00100, NAIROBI	PPL, CPL, ATPL, IR	Wilson Airport
10	Westrift Aviation LTD	P. O. Box 60091-00200, NAIROBI	PPL, CPL, ATPL, IR, MULTI- ENGINE, FOO, FIR	Wilson Airport
11	Capital Connect Aviation Supplies	P. O. Box 4197-00102, THIKA	PPL, CPL, FOO, IR	Wilson Airport
12	Pegasus Flyers (EA) LTD	P. O. Box 40813-00100, NAIROBI	PPL, CPL	Wilson Airport
13	KQ Pride Centre	P. O. Box 19002-00501, NAIROBI	FOO	KQ Headquarters Embakasi
14	Think Aviation Training	P. O. Box 480-00502, NAIROBI	FOO	Wilson Airport
15	Flitestar Academy	P. O. Box 15819-00509, NAIROBI	PPL, CPL, SE-IR, FIR, FOO	Wilson Airport
16	Mount Kenya Flight School	P. O. BOX 102504-00100, NANYUKI	PPL, CPL	Nanyuki
17	Global Quality and Safety Solutions LTD	P. O. Box 76926-00620, NAIROBI	FOO	Wilson Airport

**Source: Kenya Civil Aviation Authority**