



Legislative proposals – The Finance Bill 2025

Oral Submissions to the National Assembly

Kenya Renewable Energy Association(KEREA)

May 2025



KEREA

Kenya Renewable Energy Association





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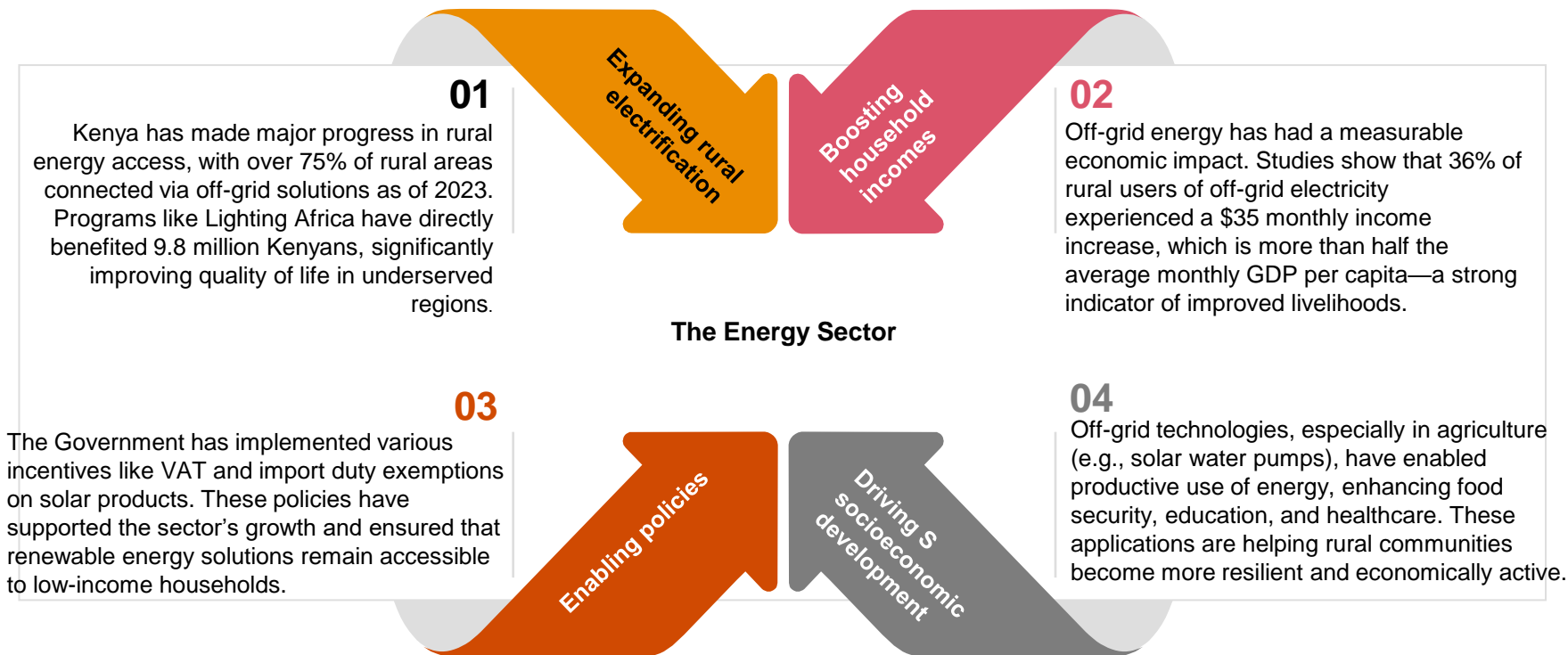


01

The Energy Sector



The Energy Sector Landscape in Kenya



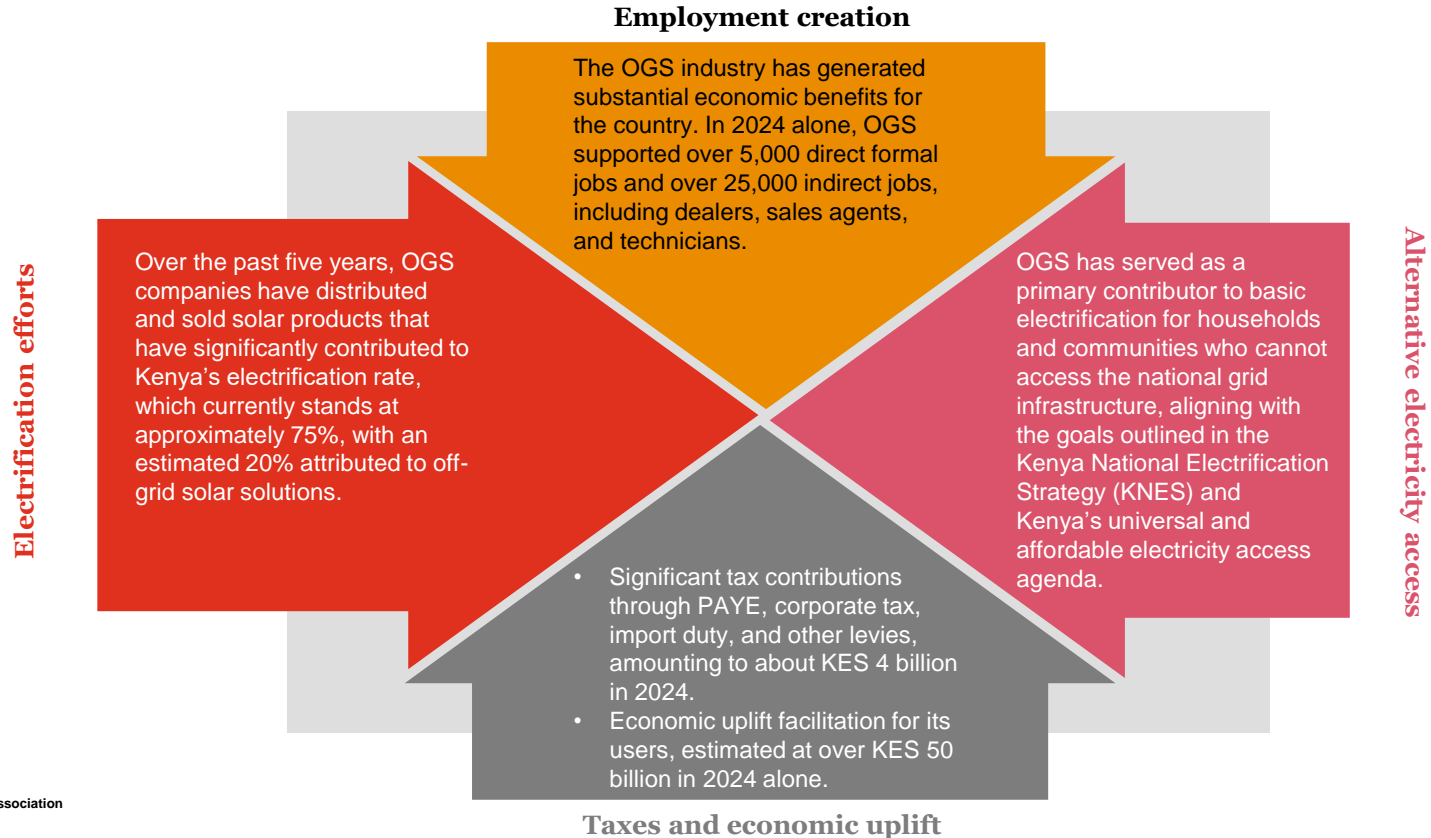


02

Contributions of Off Grid Solar solutions



Contributions of Off Grid Solar (“OGS”) Industry





03

Our Proposals



Proposal 1: Retain VAT exemption on solar and wind energy equipment to support clean energy



1

Issue

- The Finance Bill 2025 proposes to delete Paragraph 113 of Part A of the First Schedule to the VAT Act, which currently exempts specialized equipment for generation of solar energy from VAT.
- This change would make such equipment (e.g., photovoltaic modules, inverters, charge controllers,) subject to VAT at the standard rate of 16%.
- The removal of this exemption is expected to increase project costs, reduce affordability, and slow down Kenya's clean energy transition.

2

Proposal

- We propose to amend the Finance Bill 2025 to retain Paragraph 113 of Part A of the First Schedule to the VAT Act, thereby preserving the VAT exemption for specialized equipment used in solar and wind energy generation.

3

Justification

- **Increased Costs:** VAT would raise equipment prices, reducing affordability and shrinking the off-grid solar market.
- **Investment Risk:** Higher costs threaten project viability and discourage private sector investment.
- **Policy Misalignment:** Contradicts national energy and agricultural strategies promoting affordable clean energy.
- **Electrification Impact:** Slows down energy access in underserved regions.

Proposal 2: Proposal to retain supply of solar and lithium-ion batteries as zero rated



1

Issue

- The Finance Bill 2025 proposes to reclassify solar and lithium-ion batteries from zero-rated to VAT exempt under the VAT Act.
- This change would prevent manufacturers from claiming input VAT, increasing production costs and final prices.
- The price hike would affect the entire off-grid solar value chain, making solar solutions less affordable, especially for low-income households.

2

Proposal

- Retain Paragraph 32 of Part A of the Second Schedule to the VAT Act in its current form, preserving the zero-rating status for solar and lithium-ion batteries.

3

Justification

- Cost Impact: Exemption increases battery prices by embedding unrecoverable VAT, making solar systems less affordable.
- Regressive nature of exemption: Zero-rating ensures tax relief reaches end-users, supporting energy access for low-income households.
- Climate Goals: Keeps clean energy solutions affordable, supporting Kenya's climate and reducing reliance on polluting alternatives.
- Sector Stability: Maintains competitiveness, protects jobs and secures government revenue.



04

Q&A

