

Hon. CPA Francis Kuria Kimani, MP

Chairperson, Departmental Committee on Finance & National Planning, The National Assembly
Parliament Buildings, Parliament Road, Nairobi

26 May 2025

Dear Hon. CPA Kimani,

Greenlight Planet Kenya Limited

Memorandum to National Assembly on Finance Bill, 2025

We submit this memorandum in response to the Finance Bill, 2025, to respectfully urge the retention of key provisions. Specifically, we advocate and plead for **Retention of Section A Part 1, Paragraph 113, of First Schedule of the VAT Act which exempts from VAT Specialized equipment for the development and generation of solar and wind energy, including photovoltaic modules, direct current charge controllers, direct current inverters and deep cycle batteries that use or store solar power, upon recommendation to the Commissioner by the Cabinet Secretary responsible for matters relating to energy.**

As we outline in the following sections, the proposed removal of this provision risks reversing critical gains in electrification and private investment and also risks undermining Kenya's broader economic goals in terms of job creation, revenue growth, and access to electricity. Retaining these provisions is critical to:

- **Sustain jobs and government revenue:** Solar Industry estimates indicate that reintroducing VAT on Solar equipment could shrink the consumer market by 15%, leading to job losses and reduced corporate income tax, PAYE, and VAT revenues - undermining broader national economic growth.
- **Protect progress towards Kenya's energy-access targets:** VAT exemptions have catalyzed a surge in access to electricity via solar energy, contributing to an increase in the national electricity access rate from 29% in 2013 to 75% by 2023, with over 30% attributed to off-grid solar solutions.
- **Ensure affordability for off-grid communities:** VAT exemptions make solar systems affordable, especially in underserved KOSAP (Kenya Off-Grid Solar Access Project) regions. This exemption helps bridge the electricity access gap, improving the quality of life of low-income people, and empowering rural enterprises and communities that are disproportionately impacted by grid electricity deficits.

We tabulate in the following pages the relevant Finance Bill 2025 provision and our proposal for your consideration.

Clause of the Finance Bill	Purpose of clause in the Finance Bill	Proposed amendment to the Bill	Justification for proposed amendment
Clause 36 (j) "by deleting paragraph 113: Provided that an exemption that had been approved pursuant to paragraph 113 before the deletion of paragraph 113	The clause seeks to delete paragraph 113 of the First Schedule, Part 1 of the Value Added Tax Act, which exempts the following from VAT, "Specialized equipment for the development	Delete clause 36(j)	<ul style="list-style-type: none"> • The clause is projected to result in the loss of at least 1,450 jobs in the off-grid solar sector, as increased prices and demand contraction force companies to scale down operations, further straining livelihoods and undercutting the government's efforts to promote employment and inclusive economic growth. • The resulting price hike in solar products from the addition of VAT would slash non-VAT taxes collected by KRA from the off-grid solar sector by more than KES 600 million (USD 4.5 m) including losses to PAYE, import duties, corporate income taxes, and more. This is without including the indirect/unquantified downstream tax revenue losses from lack of access to energy (e.g., lost

Clause of the Finance Bill	Purpose of clause in the Finance Bill	Proposed amendment to the Bill	Justification for proposed amendment
came into effect shall continue to apply until the 30th June, 2026;"	and generation of solar and wind energy , including photovoltaic modules, direct current charge controllers, direct current inverters and deep cycle batteries that use or store solar power"		<p>mobile network operator revenue/taxation when phones are left uncharged, and lost fuel revenue/taxation when sales agents lose jobs, reduced agricultural output/taxation when farmers are forced home from work due to lack of power/light at home and reduced solar-powered irrigation in their fields). This ironically undermines the Finance Bill's goal of boosting government revenues. The validity of these projections is underscored by the 2020/2021 experience, which saw a 20% contraction in sales following elimination of VAT exemptions.</p> <ul style="list-style-type: none"> Critically, it will stall electrification efforts for Kenya's poorest and most underserved communities: those meant to benefit from public subsidies for electricity access under initiatives like the Kenya Off-Grid Solar Access Project (KOSAP). Areas most critically affected include Turkana, Baringo, Garissa, Homa, Kilifi, Lodwar, Marsabit, Moyale, Wajir, Mau Narok, and Narok - delaying progress on energy access for those who need it most.

Conclusion and Request

- We request that the Committee deletes the proposal to standard rate specialized equipment used in generation of solar and wind energy** to save jobs, sustain consistent revenue over the long term, allow the renewable energy sector to grow, and support energy access for low-income people.
- Introducing VAT on solar equipment will especially negatively affect Kenya's marginalized and underserved communities, ultimately leading to lower access to energy, lower economic output from lack of access to energy, and revenue loss for the government.
- Allowing businesses to continue operating under a sustainable and certain tax environment will translate into additional taxes over the coming years by boosting the developmental targets under the government's Bottom-Up Economic Transformation Agenda (BETA), Kenya's SDG goals and Vision 2030.
- We are available to make a presentation on this matter and look forward to your invite to further engage on this matter. In the meantime, we trust that our submission is clear and thank you in advance for supporting the contents of this submission.

On behalf of Greenlight Planet Kenya Limited,

Yours sincerely,



Robert Waruiru

Partner - Ichiban Tax & Business Advisory LLP

Graph 1: Solar Units Sold and Kenyans Accessing Power & Light via Solar (incl. GOGLA Sales Data)

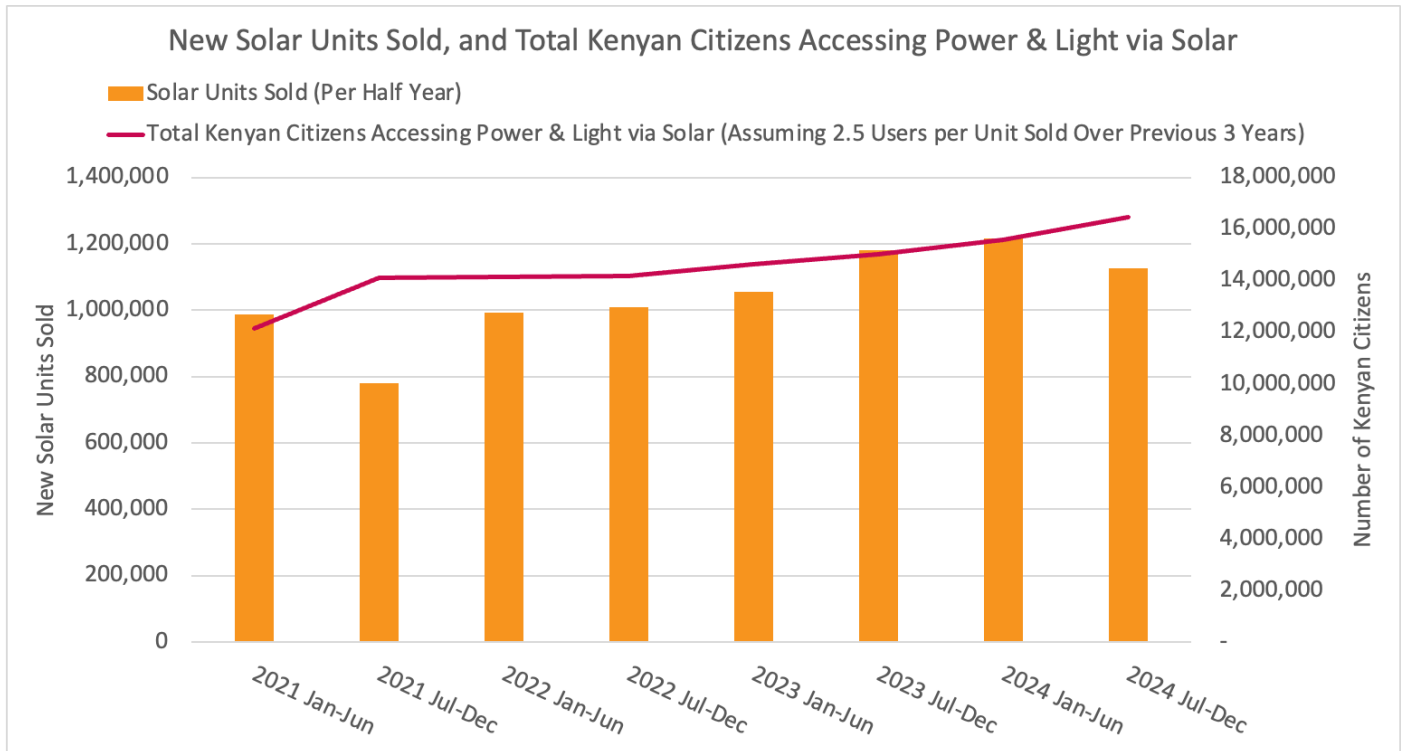


Table 1: Bottom 10 electrification rates by county (Census 2019) and contribution of solar to electrification

In many counties, roughly half of the population (specifically, people with the least ability to afford additional taxes) depend on off-grid solar energy products for power and light in their homes and businesses.

#	County	Grid	Solar	Total	Solar as a Percentage of Total Connections
1	Turkana	8,5%	6,2%	14,7%	42%
2	Mandera	15,7%	9,9%	25,6%	39%
3	Wajir	14,1%	11,6%	25,7%	45%
4	West Pokot	11,8%	15,1%	26,9%	56%
5	Samburu	14,3%	13,3%	27,6%	48%
6	Garissa	23,5%	12,7%	36,2%	35%
7	Marsabit	21,3%	15,1%	36,4%	41%
8	Tana River	25,6%	20,9%	46,5%	45%
9	Isiolo	40,6%	9,1%	49,7%	18%
10	Elgeyo Marakwet	24,3%	25,7%	50,0%	51%

Graph 2: Jobs created by the Off Grid Solar sector (GOGLA 2025)

Job cuts due to the application of VAT to off-grid solar energy products is expected to reduce sector jobs by 20% or more, based on the prior experience of application of VAT in 2020/2021.

