

Legislative proposals – The Finance Bill 2025

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About ABM

Leading battery manufacturing company in Central and Eastern Africa, and the only battery manufacturer in Kenya. Vision: “Energy Solutions for All.”

Has employed up to 700 people at its facility.
Produces over 1.6 million batteries each year.

Complied with Occupational Safety and Health Act

First company in the country to be ISO 9001 Quality Management System Certified and involved in the initial draft

Donation of item including a vehicle and a fundus camera, aimed at supporting City Eye Hospital's efforts in providing accessible and affordable quality eye care.



ABM's solar batteries

ABM's solar batteries offer efficient energy storage solutions, optimized for solar power in residential, commercial, and off-grid applications, and ensuring reliable and sustainable energy.

ABM offers high quality batteries at affordable prices specifically designed for small scale domestic solar applications



Proposal 1: Re-instatement of the exemption from VAT on specialized equipment

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Provision



The Bill proposes to delete Paragraph 113 of the First Schedule of the VAT Act.

“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.”

Submission



Retain Paragraph 113 of the First Schedule of the VAT Act.

Justification for VAT exemption

- Reduce investment cost and increase project viability rate in Kenya.
- The solar equipment will become affordable for end users.
- An overarching enabler for the growth of the renewable energy sector.
- Promote the government's commitments to go green by year 2034.
- Increase local investors in the renewable energy sector
- Contribute positively to the growth of the Kenyan economy through:
 - Creation of employment;
 - Local transfer of technical skills; and
 - Increased revenue from employment and corporate income taxes.

Proposal 2: Removal of deep cycle batteries from the list of exempt items

The issue

Issue

- The Bill proposes to delete paragraph 113 of the First Schedule of the VAT Act.
- ABM proposes that the proposal in the Bill to remove VAT exemption under paragraph 113 be reversed in order to retain the current provision exempting specialised equipment for development and generation of solar energy from VAT. Additionally, **deep cycle batteries that use or store solar** be deleted from the list of exempt items. The alternative being to subject the batteries to VAT at the standard rate of 16% or be moved to Second Schedule and be subjected to VAT at 0%.

Illustration on impact of VAT exemption on the locally manufactured goods

Scenario	Input Cost (KES) (A)	VAT on Inputs (KES) (16%) (B)	Total Input Cost (KES) (A+B)	VAT Recovered by Manufacturer?	VAT recoverable (KES)	Total cost to the Manufacturer
Standard Rate	1,000	160	1,160	Yes	160	1,000
VAT Exemption	1,000	160	1,160	Absorbed by manufacturer.	0	1,160

Justification for removal of deep cycle batteries from the list of exempt items

- Reduce cost of production of deep cycle batteries in Kenya
- Make the deep cycle batteries affordable and competitive in the market
- Reduce threat to food security and access to drinking water.
- Promote the government's Off-grid Solar Access Project for Underserved Counties
- Contribute to Government's National Energy Policy 2025–2034 by promoting the growth of the energy sector and contributing to achieving the Sustainable Development Goals (SDGs), particularly Goal 7: Affordable and Clean Energy.
- Contribute positively to the growth of the Kenyan economy through:
 - Creation of employment;
 - Local transfer of technical skills; and
 - Increased revenue from employment and corporate income taxes.

Thanks!