

# Finance Bill 2025 Submissions





# Table of Contents

- Ride Hailing Landscape and Overview
- ETIMS Requirements
- VAT on Electric Products
- Personal Data



# Ride Hailing Landscape and Overview



# Ride Hailing Landscape and Overview

- The ride hailing industry in Kenya has experienced significant growth and transformation over the past few years, driven by factors such as urbanization, smartphone and network penetration and it offer a convenient solutions.
- The industry is regulated by National Transport Services Authority (NTSA) including including pricing among others.
- The industry in Kenya includes cars, boda bodas and tuk tuks.
- Over 70% of drivers operating rent their vehicles from 3rd party owners.
- The drivers are mostly in the 18 to 35 demographic age group.



# ETIMS Requirements



# Section 43 of the Finance Bill 2025

Section 23A of the Tax Procedures Act is amended by deleting subsection (4) and substituting therefore the following new subsection -

(4) The electronic tax invoice referred to in subsection (3) may exclude payments of emoluments, payments for imports, payments of interest, transactions for accounting for investment allowances, airline passenger ticketing and payments subject to withholding tax that is a final tax.



# Impact on the Ride Hailing Industry

- The current wording of the legislation brings to the ambit of ETIMS the invoices issued in the ride-hailing industry. However, certain complexities in the industry make this a challenging proposal to implement practically.

## Volumes

- Ride-hailing platforms process millions of transactions daily. Generating real-time ETIMS for each ride poses performance issues.

## Industry Complexity

- The industry involves multiple parties—passengers, independent drivers and the platform owners. Implementing ETIMS in this tripartite arrangement is complicated. We also note, the Revenue Authority is currently unable to provide a workable solution to capture the complexity in the industry all this time after ETIMS was implemented.



# Our Appeal

- Include the term “Payments made to players in the Ride Hailing and Food Delivery Industry”. The updated Section should read as follows:
- The updated Section 23A of the Tax Procedures Act is amended by deleting subsection (4) and substituting therefore the following new subsection - (4) The electronic tax invoice referred to in subsection (3) may exclude payments of emoluments, payments for imports, payments of interest, transactions for accounting for investment allowances, airline passenger ticketing and payments subject to withholding tax that is a final tax and ***payments made to players in the Ride Hailing and Food Delivery industry***



# **VAT on Various Electric Solar Products**



# Section 36 of the Finance Bill 2025

Section A of Part I of the First Schedule to the Value Added Tax Act is amended.....(annotated) Section O by inserting the following new paragraph immediately after paragraph 154.....

159. The supply of motorcycles of tariff heading 8711.60.00

160. The supply of electric bicycles



# Impact on the Ride Hailing Industry

- The reclassification of the goods from zero-rated to exempt means that local assemblers and manufacturers will lose the ability to claim input VAT on costs incurred in producing the goods.
- The main expected consequence is that local assemblers will be unable to seek refunds for input VAT related to such supplies and they will be likely to pass this costs over to the consumers.
- Bolt provides significant livelihood opportunities for people who would otherwise not have significant prospects. Our boda boda category is one of the fastest growing categories due to the affordability of electric motorcycles in the country.
- This proposed change is likely to reverse this as it will increase the barriers to entry. This change will make electric motorcycles more expensive resulting in barring out a vulnerable proportion of the population without much economic prospects.



# Our Appeal

Delete Section 36 of the Finance Bill 2025 Part O, paragraph 159 and 160

159. The supply of motorcycles of tariff heading 8711.60.00

160. The supply of electric bicycles



# Personal Data



# Section 52 of the Finance Bill 2025

Section 59A of the Tax Procedures Act is amended by deleting subsection (1B).

## Impact on the Ride Hailing Industry

- Deletion of the safeguard that protects trade secrets and personal customer data from unnecessary government access raises serious risks of privacy infringement and corporate espionage. This erosion of privacy undermines public trust in regulatory bodies, potentially discouraging participation in digital ecosystems.
- The proposed deletion contradicts key data protection principles such as data minimization and purpose limitation, as enshrined in global standards like the GDPR. Allowing the Commissioner to demand unrestricted data access opens the door to over-collection, misuse, or mission creep, increasing the risk of data breaches, unauthorized profiling, or surveillance.

## Our Appeal

- Delete Section 52 of the Finance Bill 2025



# Significant Economic Presence



# Section 12E (3) of the Income Tax Act

12E. The Income Tax Act was amended in December 2024 by repealing section 12E and replaced with the following new section—(1) Notwithstanding any other provision of this Act, a tax known as significant economic presence tax shall be payable by a non-resident person whose income from the provision of services is derived from or accrues in Kenya through a business carried out over a digital marketplace. ....

(3) For the purposes of computing the tax under subsection (1), the taxable profit of a person liable to pay the tax shall be deemed to be **ten per cent** of the gross turnover.



# Impact of on Ride Hailing Companies

- The SEP of 3% which replaced Digital Services Tax (DST) of 1.5%, representing a 100% increase in the applicable tax rate, is significantly high. This increase has limited the investment in the industry hence limiting the demand for ride hailing services. We have seen a significant drop in new customers sign-ups as there has been erosion in investment which is necessary to stimulate demand. While the expectation was that the doubling of the rate from 1.5% to 3% would result in double the tax paid, the reality is that the increase in the tax payable was lower than expected result on a constant growth basis.

## Our Proposal

- Section 12 (E)(3) For the purposes of computing the tax under subsection (1), the taxable profit of a person liable to pay the tax shall be deemed to be **five per cent** of the gross turnover.





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