

27th May 2025

Committee on Finance and National Planning
The National Assembly
Nairobi
Kenya

Dear Hon. Chair of the Committee,

RE: Memorandum: Finance Bill 2025

GOGLA is a global off-grid solar industry association with over 200 members.

This memorandum is submitted to the National Assembly regarding the proposed amendments in the Finance Bill 2025 that directly impact the off-grid solar (OGS) industry. The Finance Bill 2025, officially tabled in Parliament on 30th April 2025, proposes significant changes to the Value Added Tax (VAT) regime, including the removal of VAT exemptions and zero-rating on key off-grid solar products and components. These changes, if implemented, will negatively affect the affordability, accessibility, and sustainability of off-grid solar solutions in Kenya.

The removal of VAT incentives will increase cost of products by over 16%, making products unaffordable for consumers and increasing the cost of developing renewable energy projects (solar and wind). The sector anticipates a 25% market shrinkage, potentially excluding 100,000 households from electricity access annually. Job losses of at least 6,500 (formal and informal) are expected, with an annual government revenue loss of over KES 275 million from corporate and PAYE taxes. Local incomes are expected to decline by more than KES 2.5 billion per year.

Additionally, the proposed changes contradict national strategies and programmes as outlined in the draft Energy Policy, the draft Kenya National Electrification Strategy, Kenya Off-grid Solar Access Programme (KOSAP), the Agricultural Mechanization Policy, and the National Irrigation Strategy and Investment Plan (NISIP), which all support incentives to promote electrification and food security.

We respectfully urge Parliament to **maintain the existing VAT exemptions and zero-rating provisions** for off-grid solar products and components. Preserving these incentives is crucial to sustaining Kenya's progress toward universal electrification, especially in underserved regions, while advancing economic inclusion and climate resilience."

We specifically propose the deletion of the following changes in the Finance Bill 2025:

#	Specific clauses to delete	Justification
1	36. Section A of Part I of the First Schedule to the Value Added Tax Act is amended— (a) in the table— (k) <i>by deleting paragraph 113:</i> <i>Provided that an exemption that had been approved pursuant to paragraph 113 before the deletion of paragraph 113 came into effect shall continue to apply until the 30th June, 2026;</i>	This is to avoid increasing the cost of products and components for off-grid solar products hence avoiding market shrinkage and the subsequent negative social-economic implications including depressed government revenue in the sector.

2	37. The Second Schedule to the Value Added Tax Act is amended in Part A— <i>(f) by deleting paragraph 32</i>	
3	36. Section A of Part I of the First Schedule to the Value Added Tax Act is amended— <i>(p) by adding the following new paragraphs immediately after paragraph 154—</i> <i>161. The supply of solar and lithium ion batteries.</i>	

We are looking forward to your consideration of our proposals and remain available for any further engagement or clarification that may be required during the public engagement process.

Walter Kipruto



East Africa Regional Representative, GOGLA