

The Chairman
Departmental Committee on Finance and National Planning
Main Parliament Buildings – 1st Floor.
Parliament Road
P.O. Box 41842-00100
Nairobi, Kenya

Attention: The Clerk of the National Assembly

23 May 2025

Sent via email to: cna@parliament.go.ke and financecommitteena@parliament.go.ke

Dear Sir,

Subject: In the matter under consideration by the National Assembly of the Finance Bill (National Assembly Bills No. 19 of 2025) - Submission of legislative proposals

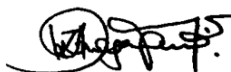
The Clerk of the National Assembly, through a public notice dated 13 May 2025, called for submission of memoranda on the Finance Bill, 2025 (National Assembly Bills No. 19 of 2025) ("the Finance Bill") as provided for by Article 118 (1) (b) of the Constitution of Kenya, 2010. The Finance Bill was published on 6 May 2025 and submitted to the Departmental Committee on Finance and National Planning ("the Committee") for consideration.

Pursuant to the said notice, East Africa Devices Assembly Kenya Limited ("EADAK", "the company") hereby submits a tax proposal for inclusion in the Finance Act, 2025.

We have provided a brief background of the company and the industry, a detailed analysis of the issue, its impact, and our recommendations with justifications. We would be grateful to appear before the Committee to further deliberate with your members on the same. We are happy to provide any additional information on the above should you require it through johnstone.kamunde@eadak.co.ke or +254 722 616 666.

Yours faithfully

For: East Africa Devices Assembly Kenya Limited



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1. Background

1.1. East Africa Devices Assembly Kenya Limited

EADAK is a local company set up by a consortium of partners in the telecommunication sector. The company was incorporated on 8 August 2023 to carry out local assembly of affordable smart phones at its assembly plant located in Athi River, Graylands Phase V. EADAK's operations were officially launched on 30 October 2023 by His Excellency Dr. William Samoei Ruto.

EADAK has had significant achievements in its short period of operation. For instance, in the year 2023, it assembled smartphones supplied to the Ministry of Health ("MoH") for use by thousands of community health promoters ("CHP") who were deployed to communities across Kenya as part of the Bottom-Up approach to preventive healthcare. Each CHP would be responsible for a certain number of households and needed to be kitted with modern communication and medical equipment as they worked among Kenyan communities.

In the year 2024, EADAK was recognized by the Kenya Revenue Authority ("KRA") as the highest taxpayer in the non-fuel importers category for the fiscal year 2024, demonstrating that the partnership between the Government and private enterprises through targeted incentives brings tangible impact to the economy and results in mutual success for both.

EADAK has 3 assembly lines and 3 packaging lines, currently operated within an 8 hour shift but with the capacity to accommodate up to three 8-hour shifts within a 24-hour day cycle. During its peak production, EADAK has employed up to 750 employees. The number of active employees at any point is dependent on demand for the devices.

The company has produced approximately 1.4 million mobile devices as of April 2025. The company is keen to expand its locally assembled product portfolio to include a broader list of technology/telecommunication devices i.e., routers, Know Your Client ("KYC") and Point of Sale ("PoS") devices, Smart and Internet of Things ("IoT") devices such as smart meters, smart watches, and smart CCTV cameras, Customer Premise Equipment ("CPE") devices, Modems, and My Wireless Fidelity ("MiFi"), and laptops, desktops, and tablets.

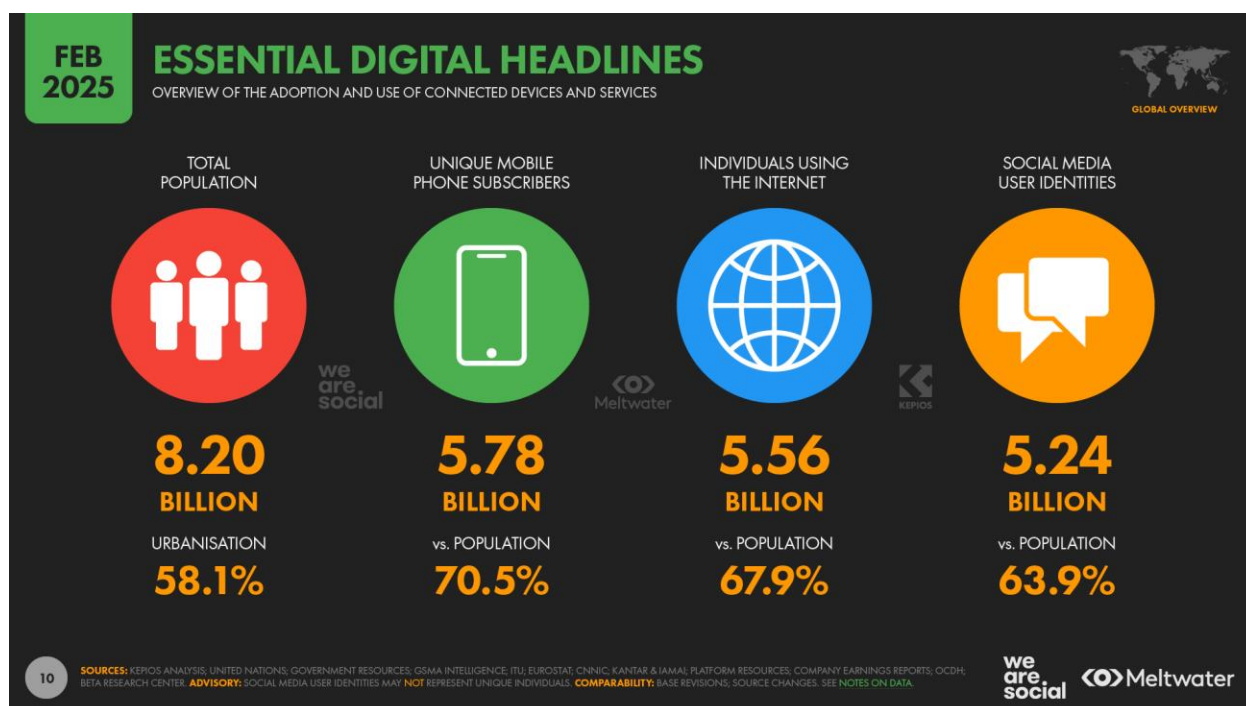
1.2. Unlocking a digitally empowered economy

In the 21st century, the digital economy has become a cornerstone of global economic development. The integration of digital technologies into various sectors has revolutionized how businesses operate, how governments deliver services, and how individuals interact with the world. Digital technologies open up significant socio-economic opportunities for the benefit of governments, businesses, households and individuals. This transformation is driven by the increasing penetration of the internet, the proliferation of mobile devices, and the development of innovative digital solutions.

The global digital economy is expanding at an unprecedented rate. According to the International Telecommunication Union ("ITU") and Global System for Mobile Communications ("GSMA") intelligence, by the start of 2025, approximately 5.56 billion people, were using the internet, which is a 1.7% increase in the twelve months prior as shown in **Figure 1** below¹.

Figure 1: Global digital growth as of February 2025

¹ <https://datareportal.com/reports/digital-2025-global-overview-report>



Source: Meltwater, 2025

This rapid increase in internet penetration is largely driven by advancements in technology and the affordable cost of internet access. Countries around the world are investing heavily in digital infrastructure to support this growth. For instance, the European Union's Digital Europe Programme, with a budget of €7.5 billion for 2021-2027, aims to accelerate the digital transformation of Europe². Similarly, the United States has launched the American Jobs Plan, which includes a \$100 billion investment to ensure every American has access to high-speed internet³.

Closer home, we note that Africa is experiencing a digital revolution, albeit at a slower pace compared to other regions. According to a World Bank report, Sub-Saharan Africa faces critical challenges for digital development including underdeveloped digital infrastructure, lack of accessible and affordable connectivity, a digital gender gap, limited skills for digitally enabled industries, and inadequate regulatory and policy environments. That notwithstanding, the region has made significant strides towards digital transformation through millions of people being able to access the internet and the use of a wide variety of digital services such as mobile payments and online learning platforms⁴.

The forecast for Africa predicts a sustained increase in internet users from 2024 to 2029, with a cumulative addition of 337.3 million users, equating to a growth rate of 51.79 percent. This upward trajectory is expected to continue, culminating in a user base of 1.1 billion by 2029. This projection follows fifteen consecutive years of growth, underscoring the region's expanding digital landscape. The anticipated surge in internet users is likely to have significant implications for various sectors, including commerce, education, and communication, thereby fostering economic development and enhancing connectivity across the

² https://www.swp-berlin.org/publications/products/fachpublikationen/Digital_Europe_Program_Salih_B.pdf

³ <https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/#:~:text=Revitalize%20America%E2%80%99s%20digital,save%20taxpayer%20money>

⁴ https://www.broadbandcommission.org/wp-content/uploads/dlm_uploads/2022/09/Strategies-Towards-Universal-Smartphone-Access-Report-.pdf

continent. As Africa continues to embrace digital transformation, the increasing number of internet users will play a pivotal role in shaping the future of the digital economy in the region⁵.

As such, efforts to enhance digital empowerment in Africa are gaining momentum. The African Union's Digital Transformation Strategy for Africa (2020-2030) aims to harness digital technologies to drive economic growth and development. The strategy focuses on improving digital infrastructure, promoting digital skills, and fostering innovation. Additionally, initiatives like the Smart Africa Alliance, which includes 32 African countries, are working towards creating a single digital market in Africa⁶.

Kenya has emerged as a leader in the African continent, with a robust digital economy driven by mobile money and digital innovation, by prioritizing the development of digital infrastructure, evidenced by the National Optic Fibre Network Backhaul Initiative ("NOFBI"). NOFBI aims to deploy over 100,000 km of optic fibre by 2027, connecting all 314 sub-counties in the country⁷. This initiative is crucial for enhancing high-speed internet access, particularly in underserved regions, thereby bridging the digital divide and promoting inclusive growth. Further, Kenya remains one of the global leaders in driving financial inclusion through the use of digital finance solutions⁸. The government's commitment to digital empowerment is further demonstrated by the development of smart cities like Konza Technopolis, which houses the country's data centre and aims to be a hub for innovation and technology⁹.

Statistics on digital adoption in Kenya show that in 2025, Kenya has over 27.4 million internet users, representing an internet penetration rate of 48%¹⁰, and a mobile penetration rate of 121% with 68.8 million mobile cellular connections¹¹. This widespread connectivity is a cornerstone of Kenya's digital transformation, enabling the proliferation of digital services and fostering innovation across various sectors. It is notable that despite the widespread connectivity and digital transformation, there is still a lack of affordable digital devices. A report by the Kenya National Innovation Agency ("KeNIA") highlights that infrastructure limitations, regulatory complexities, and the digital divide present formidable obstacles on our path to widespread adoption¹². Additionally, this also demonstrates that the Kenyan Information and Communication Technology ("ICT") sector, still requires targeted investments by the Government. This can be through providing affordable, accessible, resilient and reliable infrastructure, or encouraging the presence of an ecosystem that supports homegrown and other businesses to generate world class products and services which will help to widen and deepen digital economic transformation.

1.3. BETA as an enabler of digital growth

One of the Kenyan Government's five pillars supporting its Bottom-up Economic Transformation Agenda ("BETA") is the "Digital Superhighway and Creative Industry". Under this pillar, the Government hopes to achieve, among other things:

⁵ [https://www.statista.com/statistics/505883/number-of-internet-users-in-african-countries/#:~:text=In%20January%202024%2C%20Southern%20Africa,global%20average%20\(66.2%20percent\).](https://www.statista.com/statistics/505883/number-of-internet-users-in-african-countries/#:~:text=In%20January%202024%2C%20Southern%20Africa,global%20average%20(66.2%20percent).)

⁶ <https://au.int/sites/default/files/documents/38507-doc-dts-english.pdf>

⁷ <https://ict.go.ke/sites/default/files/2025-01/Kenya%20National%20AI%20Strategy%20%28Draft%29%20for%20Public%20Validation%20%20%5B14-01-2025%5D.pdf>

⁸ <https://www.investmentpromotion.go.ke/digital-superhighway-creative-economy>

⁹ <https://konza.go.ke/wp-content/uploads/2024/06/Konza-Final-Draft-Strategic-Plan-2023-2027.pdf>

¹⁰ <https://www.itweb.co.za/article/additional-pop-in-kenya-strengthens-east-africas-internet-ecosystem/G98YdMLG6EN7X2PD>

¹¹ <https://datareportal.com/reports/digital-2025-kenya#:~:text=A%20total%20of%2068.8%20million,percent%20of%20the%20total%20population.>

¹² https://www.innovationagency.go.ke/storage/pub-docs/ken_pub_Kenya%20Outlook%20Report%202023%20New_compressed.pdf

- Expansion of Kenya's fibre network coverage countrywide including the laying of 100,000 kilometres of fibre optic cable;
- Digitization and automation of Government processes and services;
- Reduction in the cost of calls and data to enhance the use of online platforms; and
- Strengthening of the Konza Technopolis to bring together industry, academic institutions, and other innovators who will co-invest in emerging technologies to create high-quality jobs which leverage artificial intelligence, robotics, and other technologies¹³.

The Government has communicated its eagerness to open up the Kenyan ICT sector for more investment by technology companies¹⁴ and the citizenry at large through, among, other things, its focus on expanding digital infrastructure to enhance connectivity across the country and investments in fibre optic cables and 5G technology. These efforts are aimed at leveraging the digital infrastructure to support e-commerce, online education, telemedicine, and other digital services¹⁵. Further, there is a deliberate push to support the creative economy, including sectors such as film, music, fashion, and digital content creation¹⁶. Other initiatives have been launched to provide funding, training, and resources to young creatives and entrepreneurs in these industries. Closely related is that the government is also working on policies to protect intellectual property rights and promote local content in the media¹⁷.

To ensure these government initiatives are impactful to the targeted consumers, it is necessary to ensure that tools and accessories required to tap connectivity from the backbone fibre network are readily available and affordable to institutions and the common person both in urban and rural settings.

It is against this backdrop that we wish to submit a proposal for exemption from Value Added Tax ("VAT") for:

- The supply of locally assembled digital devices; and
- Imported inputs or raw materials supplied to approved assemblers/manufacturers of such digital devices in Kenya.

2. The issue and proposed solution

The Government has enacted a series of tax policies specifically designed to accelerate the transformation of the digital economy. For instance, the Government has previously implemented VAT zero-rating on the supply of locally assembled and manufactured mobile phones, thereby reducing the cost burden on consumers and encouraging the adoption of digital technology. This was in addition to a Customs duty remission (0%) provided for raw materials and inputs for the manufacture of smartphones.

Furthermore, in 2024, the Government took a significant step by seeking approval from the East Africa Community Council of Ministers ("Ministers") to approve Customs duty remission (0% duty rate) for inputs for the assembly or manufacture of smart telecommunication devices including laptops and tablets through Legal Notice No. EAC/154/2024 (item 91). This provision aims to lower production costs and stimulate local manufacturing within the digital sector. EADAK is among the companies poised to benefit from these incentives, positioning itself advantageously within the nascent industry.

¹³ <https://www.investmentpromotion.go.ke/digital-superhighway-creative-economy>

¹⁴ <https://www.president.go.ke/government-has-prioritised-digital-super-highway-says-president-ruto/>

¹⁵ <https://www.president.go.ke/wp-content/uploads/DURING-THE-LAUNCH-OF-THE-FOURTH-MEDIUM-TERM-PLAN-MTP-IV-2023-2027.pdf>

¹⁶ <https://repository.kippira.or.ke/handle/123456789/4856>

¹⁷ http://www.parliament.go.ke/sites/default/files/2023-09/Budget%20Watch%202023_0.pdf

Currently, the supply of locally assembled digital devices, such as smart telecommunication equipment including laptops and tablets, is subject to the standard VAT rate of 16%.

2.1. Policy proposal as a solution for both the Government and the sector

In a bid to achieve a balance between affordability and local manufacturing competitiveness, we propose that the Government introduce a VAT exemption on the supply of locally assembled digital devices, specifically the following items:

1. Routers;
2. Know Your Client and Point of Sale devices;
3. Smart and Internet of Things devices such as smart meters, smart watches and smart CCTV cameras;
4. Customer Premise Equipment devices;
5. Modems and My Wireless Fidelity ("MiFi"); and
6. Laptops, desktops and tablets.

In addition, we propose that the VAT exemption also be extended to imported inputs or raw materials supplied to approved assemblers/manufacturers of such digital devices in Kenya. The VAT exemption on both the inputs and output would eliminate the VAT cost on end consumers.

We provide in the table below a description of these digital devices, how they work, as well as their use cases. Further, we provide within **Appendix 1** pictorial presentations of the devices.

#	Device	Description	How it Works	Use Case
1	Routers	Devices that transmit Wi-Fi signals over a broadband connection allowing devices e.g., smartphones, tablets and laptops to access the internet.	Connects to a modem, like a fiber or cable connection to other devices like CPEs to allow communication between those devices and the internet through a secured network.	<ul style="list-style-type: none"> A business connecting to the internet through a secured Local Area Network ("LAN") connecting laptops and desktops for its employees.
2	KYC and POS devices	Know Your Customer and Point of Sale are devices that help in the identification and verification of a customer in compliance with the law and support in secure payment transactions between businesses and customers.	Identify, validate and register customers' information when accessing services from businesses. Businesses can receive payments from customers seamlessly.	<ul style="list-style-type: none"> Businesses and institutions can verify customer information before offering services hence reducing the risk of fraud. Customers can make payments for services without risk of fraud e.g., M-Pesa.
3	Smart and IoT Devices such as Smart Meters, Smart Watches and Smart CCTV Cameras	<p>Smart device - An electronic device connected to other devices or network that can operate interactively or autonomously to monitor different services remotely.</p> <p>IoT - Internet of Things are devices with sensors, processing ability, software and other technologies that connect and exchange data with other devices and systems.</p>	Tracks the use or consumption of different services within a home or business e.g., electricity and water consumption, security systems like cameras, gas consumption etc. remotely linked to a smart phone, laptop or tablet.	<ul style="list-style-type: none"> The utility companies can keep track of power consumption, gas consumption, water consumption and billing across different premises from a central location enhancing revenue collection and resource management. Smart meters can be used to reduce operation expenses, monitor leakages, and prevent fake connections e.g in power and waterlines. Smart devices can also be used to track infrastructure like the housing project by the government where the government installs a smart tracking device in every unit sold to collect data.
4	CPE devices	Customer Premise Equipment ("CPE") are telecommunication hardware devices located in a	Enable delivery of voice, video and data services over an Internet Protocol ("IP") network managed by	<ul style="list-style-type: none"> Customers - Access digital services in the comfort of their homes like e-learning services for

#	Device	Description	How it Works	Use Case
		customer's premises that deliver connection and delivery of internet connection or other communication service.	service provides to provide a connection between the customer's premises and service provider's network.	children's education material. <ul style="list-style-type: none"> • Business – Access to digital services like government services e.g., iTax, eCitizen etc.
5	Modem/MiFi devices	MiFi is a small portable broadband device that enables customers to connect to wireless signals and share this connection with multiple devices.	Enable delivery of network services managed by services provider through a SIM card to provide a connection between the customer and service provider's network anywhere and anytime and share this network with multiple devices.	<ul style="list-style-type: none"> • Customers in remote areas can access digital services where wired cables are yet to reach i.e., fiber cables. • When customers have to access services while on the go or in transit.
6	Laptops, desktops and tablets	Computers with a keyboard, screen and trackpad.	Enables access to different digital services connected to the internet via a network and access to other devices remotely.	<ul style="list-style-type: none"> • Accessing eCitizen services from your home or business to register or pay for government services. • Enhance e-learning and education. • Enhance online job opportunities for the youth.

EADAK currently has sufficiently installed assembly capacity to produce the above-listed devices. We therefore request the Government to support EADAK and other players within the sector to expand their digital product portfolios by exempting the supply of the specified devices from VAT, provided they are locally assembled or manufactured, together with their inputs. This will empower the sector to support the country's wider agenda of digital transformation beyond mobile phone penetration through affordable devices in addition to creating employment for the many youths leaving Kenyan tertiary schools annually.

3. Justification

3.1. VAT exemption on the supply of digital devices together with their inputs will positively impact the digital devices penetration rate in Kenya

Applying VAT exemption on the supply of locally assembled digital devices as well as their inputs will make them more affordable to the consumer, averting a potential VAT charge of 16% that would increase the final cost of the digital devices to the consumer. This is because VAT is ordinarily borne by the final consumer of a good, therefore the exemption benefit will directly benefit the consumer by reducing the device's retail cost.

We illustrate the impact of VAT using the prices of the smartphones we assemble locally below. Whilst these are currently zero rated, the impact of VAT would result in a significant increase in cost as shown.

#	Smartphone	Current retail price (KES)	VAT @ 16% (KES)	Adjusted retail price (with VAT) (KES)
1	Neon Smarta	7,499	1,200	8,699
2	Neon Ultra	8,999	1,440	10,439

It is therefore evident that should our proposal to introduce VAT exemption on the supply of locally assembled digital devices together with their inputs be accepted, the retail price of these devices will be more affordable to end consumers therefore increasing the market for the devices and be competitive relative to imports.

3.2. VAT exemption on the supply of locally assembled digital devices together with their inputs may discourage reliance on imported digital devices which will have a positive impact on the economy.

An increase in the population's reliance on imported products as a better option has negative impacts on the overall economy as it leads to imbalanced or negative Balance of Payments ("BOP") in both the short and long run. For emphasis, when there are too many imports coming into a country in relation to its exports, it can distort a nation's balance of trade and devalue its currency. Statistics on the import and export values of telecommunication equipment as of March 2025 was at 2.4 billion and 0.13 billion respectively¹⁸. This results in an imbalance on the country's Balance of Payments leading to the devaluation of the Kenyan shilling. The devaluation of a country's currency can have a huge impact on the everyday life of a country's citizens because the value of a currency is one of the biggest determinants of a nation's economic performance and its GDP. Furthermore, a majority of the imported telecommunication devices are non-tax compliant due to grey/fake imports that get into the country. Therefore, maintaining the appropriate balance of imports and exports is crucial for the government since the importing and exporting activity of the country

¹⁸ <https://www.knbs.or.ke/wp-content/uploads/2025/05/Leading-Economic-Indicators-March-2025.pdf>

can influence the country's GDP, its exchange rate, and its level of inflation and interest rates¹⁹.

Additionally, competitive pricing of local products can make the overall local market more resilient to potential dumping from foreign markets, ensuring the availability of high-quality products. Dumping arises when a foreign producer sells a product at a price lower than its normal value or below the producers' sale price in the country of origin. While dumping enables consumers to obtain goods at an affordable price, it may also expose them to low quality products²⁰. The level of unfair competition created by dumping may drive local investors like EADAK out of the market thereby causing stagnated or retarded growth for the impacted sectors in the long run. EADAK's next frontier is exports to other markets outside of Kenya, but that is hinged on success in the local market. Therefore, if the business struggles as a result of existing taxation measures, the benefits of exportation, e.g., foreign exchange earnings and impact on BOP will be lost.

Further, imposition of VAT exemption on locally assembled digital devices together with their inputs may encourage additional Foreign Direct Investment ("FDI"). FDI is widely acknowledged as a pivotal driver of sustainable economic growth due to its potential to foster innovation, introduce advanced technology, and alleviate poverty. FDI offers numerous benefits that promote resilient economic development, technological advancements, poverty reduction through job creation, increased tax revenue, enhanced production and productivity, and other transformative effects on a nation's socioeconomic landscape. Consequently, policymakers and experts view FDI as a vital catalyst for local communities and overall economic improvements, leading to the enactment of laws and policies aimed at attracting foreign investments²¹.

3.3. VAT exemption on the supply of locally assembled digital devices together with their inputs is an overarching enabler for the growth of other sectors including education, health, agriculture, among others

Kenya stands as a prominent digital and economic centre in East Africa. Despite this, it falls behind in global digital Gross Domestic Product ("GDP") rankings, highlighting a significant digital divide. A report by the United Nation's Conference on Trade and Development data highlights this gap, emphasizing on the disparities in ICT access, usage, and benefits²². To address this issue, the Kenyan government should develop comprehensive internet access strategies to connect the majority who lack internet access, as well as encourage policies that promote access to digital devices for many citizens²³.

Additionally, the five pillars of the BETA are: (1) Agriculture and transformation, (2) Micro Small and Medium Enterprise ("MSME") Economy, (3) Healthcare, (4) Housing and Settlement and (5) Digital Superhighway and Creative Industry. An investment in the latter through encouraging local production of digital products will be the underlying enabler for the other pillars. For instance, the housing sector could benefit from the use of smart meters, IoT can be used in increasing efficiencies in agricultural production, and devices will enhance initiatives aimed towards providing online learning such as the Digital Literacy Program ("DLP"). The health sector would also be improved by enabling access to health programs information through affordable internet and digital devices.

¹⁹ <https://www.investopedia.com/articles/investing/100813/interesting-facts-about-imports-and-exports.asp>

²⁰ <https://www.standardmedia.co.ke/article/2001468503/china-square-local-retailers-at-risk-of-being-driven-out-of-business>

²¹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10868797/#:~:text=Nevertheless%2C%20all%20these%20studies%20indicated,negative%20impact%20on%20FDI%20inflows>

²² <https://unctad.org/news/kenya-unveils-e-commerce-strategy-better-harness-digital-economy>

²³ <https://ict.go.ke/wp-content/uploads/2023/12/E-Commerce-Strategy-2023.pdf>

3.4. VAT exemption on the supply of locally assembled digital devices together with their inputs will promote the government's digitisation agenda

Besides the BETA, the Kenya National Digital Master Plan 2022 – 2032 (“Master Plan”) articulates the Government’s masterplan flagship programmes which are aimed towards achieving a holistic and coordinated approach towards aligning and optimizing ICT resources.

The Master Plan flagship programmes include installation of high-speed fibre optic infrastructure, establishment of internet hotspots, creating a digital one stop for all Government common services, digital capacity building among others. These flagship programmes are anchored on 5 major pillars i.e., (1) digital infrastructure, (2) digital services, products, and data management, (3) digital skills, (4) digital enterprises, innovation and businesses (5) policy, legal and regulatory considerations.

It is clear that the Government has a focused strategy; besides the significant investments it has made in the digital economy, towards achieving its broader digitisation agenda. Further, emerging technologies such as Artificial Intelligence (“AI”) and IoT, among others, are critical and it is therefore imperative for the Government to consider incentivising a wider range of products within Kenya’s digital ecosystem. We have provided in **Appendix 1** an illustration of how the above listed devices contribute to the digital ecosystem.

It is also important to note that the Kenyan Government intends to bridge the digital divide by ensuring universal digital services by all in the country²⁴. This objective can only be achieved by increasing the penetration of smart digital devices.

EADAK and the wider ICT/technology industry has capacity to make a significant contribution towards the Government agenda of building a digital superhighway as envisaged under the BETA should the supply of these locally assembled digital devices together with their inputs be exempted for VAT purposes.

3.5. VAT exemption will contribute to Government's BETA and the wider Vision 2030 by promoting the growth of the manufacturing sector, and accessibility and use of the digital devices

According to a report by the Ministry of Information Communications and the Digital Economy, the availability of affordable digital devices, such as smartphones, laptops, digital assistants, etc, is crucial for participation in the digital economy²⁵. The report further highlights that fostering the local production of digital devices and related digital economy equipment will significantly reduce the costs associated with these devices and equipment. This reduction in cost will facilitate broader access for citizens, enabling them to utilize these technologies for both productive and social engagement within the digital economy. This includes enhancing opportunities for learning, accessing social and economic benefits, and participating in civic activities. Electronic Device Manufacturers (“EDMs”) play a crucial role in this ecosystem, covering the entire value chain for Original Equipment Manufacturers (“OEMs”). This encompasses manufacturing, product development, and providing after-sales service support for EDMs.

Vision 2030, through the economic vision and strategy pillar, aims to promote manufacturing in the country. To achieve this, the Vision 2030 highlighted on the need for Kenya to produce consumer goods that compete with imports without resorting to restrictions on such imports. Some of the specific strategies for this agenda was to exploit opportunities in adding value to imports that could also be re-exported in order

²⁴ <https://cms.icta.go.ke/sites/default/files/2022-04/Kenya%20Digital%20Masterplan%202022-2032%20Online%20Version.pdf>

²⁵ <https://ict.go.ke/sites/default/files/2024-09/MICDE%20Sector%20Working%20Group%20Report%20-%20June%202024.pdf>

to capture the “last step” of value addition.²⁶ Similarly, the Government’s BETA includes manufacturing as one of its enablers with the broad target being creation of jobs and increase in Kenya’s exports²⁷.

The digital products listed in section 2 above are all imported by consumers within Kenya whereas the industry has already built some capacity for manufacturing some volumes locally. In obtaining VAT exemption on the local supply of these digital devices as well as their inputs, the Government will have made a significant contribution towards reducing the final cost of these products which will then enable the industry to assemble digital products that will compete favourably against those imported.

3.6. VAT exemption on the supply of locally assembled digital devices together with their inputs will contribute positively to the growth of the Kenyan economy

With the VAT zero rating on the supply of locally assembled or manufactures mobile phones, EADAK has positively contributed to Kenya’s economy as follows;

- 4.6.1 Creation of employment:** EADAK has, at its highest, employed up to 750 people at its facility and could easily employ up to 1,000 employees to assemble a wider range of digital products. Additionally, with the expansion of its product portfolio, EADAK can be able to sustain the jobs of its current employees with the additional local manufacturing of the listed digital devices.
- 4.6.2 Local transfer of technical skills:** EADAK is already facilitating the transfer of technical assembly skills to its local workforce through the 5 expatriate engineers that it has at the plant. Should the Government approve the VAT exemption on the supply of digital devices, where these have been locally assembled, and their inputs, this will enable the expansion of the industry, and digital product portfolio. Therefore, the local transfer of technical skills to the Kenyan labour force will be enhanced through the experience gained on the jobs thereby making them competitive not only for a broadening industry locally but for the foreign labour market too.
- 4.6.3 Increased revenue from employment and corporate income taxes:** The Government will benefit from the organic growth of revenues as a result of higher employment taxes from a significantly larger workforce and higher income taxes based on increased production and hence, increased turnover and profits.

4. International practice

Within the African region, various incentives have been applied for the supply of digital devices, for instance:

- **Rwanda**

In 2023, Rwanda updated its list of ICT equipment exempted from VAT. The exempted items include:

- Routers,
- Modems,
- Laptops,

²⁶ <https://nairobi.aics.gov.it/wp-content/uploads/2019/01/Kenya-Vision-2030.pdf>

²⁷ http://www.parliament.go.ke/sites/default/files/2023-09/Budget%20Watch%202023_0.pdf

- Tablets,
- Smartphones,
- Other ICT devices.

This initiative aims to foster digital transformation, increase internet penetration, and make digital devices more affordable.²⁸

- **Togo**

In 2017, Togo's government exempted personal computers, laptops, tablets, and smartphones from VAT. This measure was part of a broader strategy to enhance digital access and establish a regional digital hub.²⁹

- **Chad**

As of January 2022, Chad abolished import taxes on:

- Smartphones
- Computers
- Tablets
- Modems
- Routers
- Other internet connection devices

This five-year tax exemption aims to boost digital inclusion and support the country's digital economy goals.³⁰

Elsewhere in the world, incentives have been applied for the supply of digital devices, for instance:

- **Colombia**

In 2017, Colombia introduced VAT exemptions for:

- Mobile devices priced below approximately US\$245
- Personal desktop or laptop computers valued under US\$550

This policy aimed to make digital devices more accessible, especially for lower-income populations.³¹

5. Conclusion and legislative proposal

In summary, EADAK would like to request the Kenyan Government to amend the Value Added Tax Act, CAP 476, to include the VAT exemption of the supply of the following digital devices, provided these are locally assembled or manufactured by approved local assemblers:

1. Routers;

²⁸ https://www.minict.gov.rw/news-detail/vat-exemption-the-2023-new-list-of-ict-equipment-exempted-from-vat?utm_source=chatgpt.com

²⁹ https://africa-news-agency.com/togo-exoneration-de-tva-pour-linformatique/?utm_source=chatgpt.com

³⁰ <https://www.connectingafrica.com/digital-inclusion/chad-drops-import-duties-on-smartphones-for-five-years>

³¹ https://a4ai.org/research/good-practices/eliminating-luxury-taxation-on-ict-essentials/?utm_source=chatgpt.com

2. Know Your Client and Point of Sale devices;
3. Smart and Internet of Things devices such as smart meters, smart watches, and smart CCTV cameras;
4. Customer Premise Equipment devices;
5. Modems and My Wireless Fidelity (“MiFi”); and
6. Laptops, desktops and tablets.

At the same time, we request that VAT exemption also be extended to imported inputs or raw materials supplied to approved local assemblers and manufacturers of these devices.

This dual exemption proposal, when adopted, will better promote a vibrant manufacturing sector, contribute to the Government’s digital transformation agenda and lead to tangible economic benefits such as employment creation, the transfer of technical skills, increased contribution to the fiscus, increased foreign exchange earnings and increased foreign direct investment, among others.

Appendix 1

