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NATIONAL ASSEMBLY
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DIRECTOR LEGAL SERVICES
P. O. Box 41842-00100, NAIROBI

**THE SPECIAL ECONOMIC ZONES (AMENDMENT)
BILL, 2026**

A Bill for

**AN ACT of Parliament to amend the Special Economic
Zones Act and for connected purposes**

ENACTED by the Parliament of Kenya, as follows—

1. This Act may be cited as the Special Economic Zones (Amendment) Act, 2026.

Short title.

2. Section 2 of the Special Economic Zones Act (in this Act referred to as “the principal Act”) is amended by inserting the following new definition in its proper alphabetical sequence—

Amendment of section 2 of Cap. 517A.

“midstream petroleum operations” and “upstream petroleum operations” have the meaning assigned to them respectively in the Petroleum Act.

Cap. 308

3. Section 4 of the principal Act is amended in subsection (6) by inserting the following new paragraphs immediately after paragraph (j)—

Amendment of section 4 of Cap. 517A.

“(k) midstream petroleum operations zones;

(l) upstream petroleum operations zones”.

4. Section 27 of the principal Act is amended—

Amendment of section 27 of Cap. 517A.

(a) in subsection (5) by deleting paragraph (d) and substituting therefor the following new paragraph (d)—

“(d) subject to subsection (5A), be valid for such period as the Authority may prescribe”;

(b) by inserting the following new subsections immediately after subsection (5)—

“(5A) A licence issued under this Act to a special economic zone developer, operator or enterprise carrying on business or undertaking activities in zones designated for midstream petroleum operations or upstream petroleum operations shall be valid for a minimum period of ten years.”

“(5B) The Authority shall, on an annual basis, and for the entire period during which a licence remains valid, audit a special economic zone developer, operator or enterprise to whom a license is issued pursuant to subsection (5A) to ensure compliance with such terms and conditions of license as the Authority may prescribe, and the developer, operator or enterprise shall pay such annual audit fees to the Authority as may be prescribed.”:

5. Section 28 of the principal Act is amended in paragraph (a), by deleting the expression “incorporated in Kenya”.

Amendment of section 28 of Cap. 517A.

6. Section 29 of the principal Act is amended —

Amendment of section 29 of Cap. 517A.

(a) in subsection (2), by deleting the expression “is incorporated in Kenya” appearing in paragraph (a) and substituting therefor the expression “is a company”;

(b) by inserting the following new paragraph immediately after subsection (2) —

“(3) A special economic zone developer or operator undertaking, or intending to undertake, activities in a zone designated for midstream or upstream petroleum operations may apply, in the prescribed manner, for a special economic zone enterprise licence under subsection (2) for purposes of undertaking an activity or activities under this Act.”

7. The principal Act is amended in the First Schedule by inserting the following new paragraph immediately after paragraph (h) —

Amendment of the First Schedule to Cap. 517A.

“(i) oil and gas zones”.

8. The laws specified in the first column of the Schedule are amended in the provisions respectively specified in the second column, in the manner respectively specified in the third column.

Consequential amendments.

SCHEDULE
CONSEQUENTIAL AMENDMENTS

<i>Written Law</i>	<i>Provision</i>	<i>Amendment</i>
Income Tax Act, Cap. 470	First Schedule, Part I, para. 73	Delete the expression “in the first ten years of its establishment”.
Value Added Tax Act, Cap. 476	Second Schedule, Part A, para. 12	Insert the expression “developer, operator or” immediately after the expression “special economic zone”.
Miscellaneous Fees and Levies Act, Cap. 469C	Second Schedule, Part B, New	Insert the following new paragraph immediately after paragraph (xviii)— “(xix) goods destined for approved Export Processing Zones or Special Economic Zones designated for midstream petroleum operations or upstream petroleum operations.”

MEMORANDUM OF OBJECTS AND REASONS

Statement of Objects and Reasons for the Bill

The principal object of this Bill is to amend the Special Economic Zones Act (Cap. 517A) in order to strengthen the Special Economic Zones (SEZ) framework and align it with the operational requirements of large-scale capital investments, including investments in midstream and upstream petroleum operations.

The Bill seeks to implement the observations and recommendations contained in the Report of the Joint Committee of the National Assembly Departmental Committee on Energy and the Senate Standing Committee on Energy on Consideration of the Field Development Plan and Production Sharing Contracts for Blocks T6 and T7 in South Lokichar Basin, Turkana County. The Report, which made proposals on the need to extend the ambit of special economic zones legal and regulatory regime to midstream and upstream petroleum operations, and extend fiscal incentives and concessions to investors in midstream and upstream petroleum operations, was adopted by the Houses of Parliament on 25th February, 2026. In so doing, Parliament recognised the need for the formulation of a legal framework in order to actualise the proposals and observations made in the Report, and address identifiable gaps in the prevailing legal framework, in order to facilitate commercial development of oil discoveries and exploratory activities in the Lokichar Basin.

The Bill therefore is intended to facilitate strategic investments in midstream and upstream petroleum operations by improving the legal and fiscal environment within Special Economic Zones. In particular, the Bill seeks to ensure that the SEZ regime accommodates the structure and operational needs of capital-intensive projects, including those undertaken under petroleum exploration agreements.

The Bill further proposes consequential amendments to the Value Added Tax Act, the Income Tax Act and the Miscellaneous Fees and Levies Act in order to align the fiscal incentives available under those laws with the Special Economic Zones legal and regulatory regime.

The amendments are intended to —

- (a) expand the scope of Special Economic Zones to include oil and gas sector activities;
- (b) remove certain legal inconsistencies relating to the eligibility of companies operating within the Special Economic Zones;

- (c) allow Special Economic Zone developers and operators to undertake enterprise activities within the zone;
- (d) harmonise tax incentives applicable to Special Economic Zone entities.

Statement on the delegation of legislative powers and limitation of fundamental rights and freedoms

The Bill does not delegate legislative powers nor does it limit fundamental rights and freedoms.

Statement of on whether the Bill concerns county governments

This Bill relates to matters of energy and fiscal policy, regarding zoning of areas for economic purposes, and the concessions and incentives, both monetary and non-monetary, which may be granted to investors engaged in midstream and upstream petroleum operations in the zoned areas. These matters fall within the mandate of the national government under the Fourth Schedule to the Constitution. Consequently, this Bill does not concern county governments in terms of Article 110(1) (a) of the Constitution as functions relating to the regulations of special economic zones and grant of fiscal incentives are functions of the national government. The Bill may accordingly be considered by the National Assembly only pursuant to Article 109(3) of the Constitution.

Statement the financial implications of the Bill

The enactment of this Bill shall not occasion additional expenditure of public funds.

Dated the 26th February, 2026.

KIMANI ICHUNG'WAH,
Leader of the Majority Party.

Section 2 of Cap. 517A which it is proposed to amend—

2. Interpretation

In this Act, unless the context otherwise requires —

"agricultural zone" means a special economic zone declared as such under section 4 to facilitate the agricultural sector, its services and associated activities;

"Authority" means the Special Economic Zones Authority established under section 10;

"Board" means the Board of Directors of the Authority established under section 12;

"business processing outsourcing" means the provision of outsourcing services to business for specific business functions or processes such as back office support services in human resources, finance, accounting and procurement amongst other services, and includes the delegation of one or more information technology-intensive business processes to an external provider;

"business service park" means a special economic zone declared as such under section 4 to facilitate the provision of services including but not limited to regional headquarters, business processing outsourcing centres, call centres, shared service centres, management consulting and advisory services and other associated services;

"business service permit" means an administrative grant of authority to operate services within a special economic zone for which no benefits accruing under this Act are granted;

"Cabinet Secretary" means the Cabinet Secretary for the time being responsible for matters relating to industrialization;

"company" has the meaning assigned to it by section 2 of the Companies Act (Cap. 486) and includes a company incorporated outside Kenya but registered in Kenya under that Act;

"customs control" means the measures applied to ensure compliance with the laws and regulations under the East African Community Customs Management Act, 2004;

"customs-controlled area" means the special economic zone where certain enterprises carry out customs controlled operations;

"customs territory" means the geographical area of the Republic of Uganda, the Republic of Kenya and the United Republic of Tanzania and any other country granted membership of the East African Community

under Article 3 of the Treaty for the Establishment of the East African Community, but does not include a special economic zone;

"duty" means duty as defined under the East African Community Customs Management Act;

"export" means to take or cause to be taken out of the customs territory or into a special economic zone;

"export duties" means customs duties and other charges having an effect equivalent to customs duties payable on the exportation of goods;

"Freeport zone" means a designated area placed at the disposal of the special economic zone or freeport authority where goods introduced into the designated area are generally regarded, in so far as import duties are concerned, as being outside the customs territory;

"free trade zone" means a special economic zone customs-controlled area where goods are off-loaded for transshipment, storage and may include bulk breaking, repacking, sorting, mixing, trading or other forms of handling excluding manufacturing and processing;

"Fund" means the General Fund established under section 21;

"goods" include all kinds of wares, articles, merchandise, animals, matter, baggage, stores, materials, currency and includes postal items other than personal correspondence and where any such goods are sold under this Act, the proceeds of such sale;

"import" means to bring or cause to be brought into the customs territory or a special economic zone;

"import duties" means any customs duties and other charges of equivalent effect levied on imported goods;

"industrial park" means a special economic zone declared as such under section 4 with integrated infrastructure to facilitate the needs of manufacturing and processing industries;

"information communication technology park" means a special economic zone declared as such under section 4 to facilitate the information communication technology sector, its services and associated activities;

"infrastructure" means roads, power, water, drainage, telecommunication, sanitation or water treatment plants, networks, buildings or other facilities, necessary for the development and operations of special economic zones and appropriate to their particular sector or cluster focus;

"Kenya Revenue Authority" means the Authority established by section 3 of the Kenya Revenue Authority Act (Cap. 469);

"licence" means a licence issued under this Act;

"livestock zone" means a special economic zone declared as such under section 4, in which the following activities are carried out: livestock marshalling and inspection; livestock feeding or fattening, abattoir and refrigeration; deboning; value addition; manufacture of veterinary products, and other related activities;

"manufacture" means to make, produce, fabricate, assemble, process or bring into existence by manual, mechanical, chemical or biochemical methods into a new product having a distinctive name, character or use and includes processes such as refrigeration, cutting, polishing, blending, beneficiation, re-making and re-engineering;

"negative list" means a list of activities not allowed to be undertaken by special economic zone enterprises under the laws of Kenya and those of the East African Community;

"proper officer" means any officer whose right or duty is to perform or require the performance of the acts referred to in the East African Community Customs Management Act, 2004;"regional headquarters" means a special economic zone enterprise engaged in headquarters management activities to oversee, manage and control their local, regional and global operations by providing managerial, supervisory, shared services centre and other support services to affiliate companies;

"science and technology park" means a special economic zone declared as such under section 4 to facilitate the science and technology sector, its services and its associated activities;

"services" means tradable services which are covered under the General Agreement on Trade in Services annexed as 1B to the Agreement establishing the World Trade Organisation concluded at Marrakesh on the 15th day of April, 1994 and any successor agreements or amendments thereto;

"special economic zone" means a zone declared as such under section 4;"special economic zone enterprise" means a corporate body which has been licensed under this Act;

"special economic zone developer" means a corporate body which is engaged in or plans on developing, and which may or may not also operate or plan to operate, a special economic zone under this Act;

"special economic zones operator" means a corporate body engaged in the management of a special economic zone and designated as such under the provisions of this Act; and

"tourist and recreation centre" means a special economic zone declared as such under section 4 to facilitate tourism and recreation sector, its services and associated activities.

Section 4 of Cap. 517A which it is proposed to amend—

4. Declaration of special economic zones

(1) The Cabinet Secretary shall, on the recommendation of the Authority, and in consultation with the Cabinet Secretary responsible for matters relating to finance declare, by notice in the *Gazette*, any area as a Special Economic Zone as set out in the First Schedule.

(2) A declaration of a special economic zone under subsection (1) shall—

(a) define the limits of the zone; and

(b) remain in force until revoked by an order in the *Gazette* by the Cabinet Secretary and on the recommendation of the Authority.

(3) Where upon receipt of a recommendation under subsection (1), the Cabinet Secretary considers that gazettment of a special economic zone would infringe upon the public interest, the Cabinet Secretary may refer the recommendation back to the Authority to ensure the protection of that public interest.

(4) A special economic zone shall be a designated geographical area which may include both customs controlled area and on-customs controlled area where business enabling policies, integrated land uses and sector-appropriate on - site and off-site infrastructure and utilities shall be provided, or which has the potential to be developed, whether on a public, private or public-private partnership basis, where development of zone infrastructure and goods introduced in customs-controlled area are exempted from customs duties in accordance with customs laws.

(5) Any public land declared as a special economic zone shall not be alienated for private use except to special economic zone developers, operators or enterprises or other bodies established within a special economic zone.

(5A) The Cabinet Secretary shall, on the recommendation of the Authority, set the minimum amount to be invested in an area declared as a special economic zone.

(6) An area declared as a special economic zone under this section may be designated as a single sector or multiple sector special economic zone, and may include, but not limited to—

- (a) free trade zones;
- (b) industrial parks;
- (c) free ports;
- (d) information communication technology parks;
- (e) science and technology parks;
- (f) agricultural zones;
- (g) tourist and recreational zones;
- (h) business service parks;
- (i) livestock zones;
- (j) convention and conference facilities.

Section 27 of Cap. 517A which it is proposed to amend—

27. Application and issue of licence

(1) A person who, intends to carry on business as a special economic zone developer, operator or enterprise, shall apply in the prescribed form to the Authority for an appropriate licence or for a renewal of the licence.

(2) On receiving an application for licence or for a renewal of a licence, the Authority, may on the recommendation of the Commissioner of Customs and upon payment of the prescribed fee, issue to the applicant the appropriate licence or renew the licence.

(3) In evaluating applications for special economic zone developer, operator and enterprise licences, the Authority shall assess the specific engineering and financial plans, financial viability, and environmental and social impact of the applicant's proposed special economic zone project, as appropriate.

(4) The Authority shall expeditiously render its decisions on licensing under this Act within one month from the date on which the duly completed application form is submitted together with relevant supporting documents.

(5) A licence issued under this section shall—

- (a) be in the prescribed form;

- (b) authorize the licensee to carry on business as a special economic zone developer, operator or enterprise;
- (c) be specific with regard to the activity to be carried out under the licence;
- (d) be valid for such period as the Authority may prescribe;
- (e) contain such other conditions as the Authority deems necessary.
- (6) A licence issued under this section may —
 - (a) be amended at any time on written notice to the holder by the authority, if in its opinion the amendment is necessary; or
 - (b) be suspended or revoked by the Authority if the holder fails to comply with the conditions contained in the licence laid down in this Act or in any regulations made thereunder and where a licence is suspended or revoked, the holder shall take such steps as may be recommended by the Authority.
- (7) The Cabinet Secretary shall —
 - (a) publish in the Kenya Gazette all approved applications to establish a special economic zone; and
 - (b) within one hundred and eighty days of the coming into force of this Act, publish regulations on the application, issuance, suspension, revocation and appeal process on licensing of special economic zones.

Section 28 of Cap. 517A which it is proposed to amend—

28. Qualifications of a special economic zone developer and operator

A special economic zone developer shall, in addition to such other criteria and requirements as may be prescribed —

- (a) be a company incorporated in Kenya or a public entity, for the purpose of undertaking special economic zone activities;
- (b) have the financial capacity, technical and managerial expertise, and associated track record of relevant development or operational projects, required for developing or operating the special economic zone; and
- (c) own or lease land or premises within the special economic zone as stipulated under the Special Economic Zones (Land Use) Regulations to be enacted within one hundred and eighty days of the coming into force of this Act.

Section 29 of Cap. 517A which it is proposed to amend—

29. Special economic zone enterprises

(1) The benefits prescribed in Part VI of this Act shall not accrue to any enterprise unless it holds a valid licence issued by the Authority.

(2) The Authority shall grant a licence if the application meets the objectives of this Act, and if the proposed business enterprise—

- (a) is incorporated in Kenya whether or not it is one hundred per cent foreign owned;
- (b) proposes to engage in any activity or activities eligible to be undertaken by a special economic zone enterprise in the special economic zone;
- (c) does not have a negative impact on the environment or engage in activities impinging on national security or presenting a health hazard; and
- (d) conducts business in accordance with the laws for the time being in force save for any exemptions under this Act.

The First Schedule to Cap. 517A which it is proposed to amend—

FIRST SCHEDULE [s. 4]

TYPES OF SPECIAL ECONOMIC ZONES

The Authority shall permit multiple sector or single sector Special Economic Zones including but not limited to the following—

- (a) Free Trade Zones (FTZ)
- (b) Industrial Parks
- (c) Free Ports
- (d) Information Communication and Technology Parks (ICT Parks)
- (e) Science and Technology Parks
- (f) Agricultural Zones
- (g) Tourist and Recreational Zones
- (h) Business Service Parks.

Paragraph 73 of Part I of the First Schedule to Cap. 470 which it is proposed to amend—

73. Royalties, interest, management fees, professional fees, training fees, consultancy fee, agency or contractual fees paid by a special economic zone developer, operator or enterprise, in the first ten years of its establishment, to a non-resident person.

Paragraph 12 of Part A of the Second Schedule to Cap. 476 which it is proposed to amend—

12. The supply of goods or taxable services to a special economic zone enterprise.

Part B of the Second Schedule to Cap. 469C which it is proposed to amend—

SECOND SCHEDULE

[s. 7(3)(a)]

**GOODS EXEMPT FROM IMPORT DECLARATION FEE AND
RAILWAY DEVELOPMENT LEVY**

PART B(s. 8(6))

**GOODS EXEMPT FROM THE RAILWAY DEVELOPMENT
LEVY WHEN IMPORTED OR PURCHASED BEFORE
CLEARANCE THROUGH CUSTOMS**

The railway development levy shall not apply to goods imported or purchased before clearance through customs—

- (i) for the implementation of an official aid funded project;
- (ii) goods imported for official use by diplomatic and consular missions, United Nations and its agencies, and institutions or organizations exempted under the Privileges and Immunities Act;
- (iii) *deleted by Act No. 4 of 2023, s.73;*
- (iv) from the East African Community Partner States provided that they meet the East African Community Rules of origin;
- (v) *deleted by Act No. 2 of 2020, Sch.;*
 - (va) *deleted by Act No. 2 of 2020, Sch.;*
 - (vb) goods imported or purchased for the construction of bulk storage facilities for supporting the Standard Gauge Railway operations with a minimum storage capacity of one hundred thousand metric tonnes of supplies as approved by the Cabinet Secretary responsible for transport;
- (vi) *deleted by Act No. 8 of 2020, s. 22(b)(i);*
- (vii) *deleted by Act No. 2 of 2020, Sch.;*

- (viii) currency notes and coins imported by the Central Bank of Kenya;
- (viiia) inputs and raw materials imported by manufacturers of pharmaceutical products on the recommendation of the Cabinet Secretary responsible for matters relating to health;
- (viiib) goods imported for use in the construction and maintenance of human vaccine manufacturing plants as approved by the Cabinet Secretary for the National Treasury on recommendation of the Cabinet Secretary for Health;
- (viiic) goods, inputs and raw materials imported by a company which is—
 - (a) engaged in business under a special operating framework arrangement with the Government; and
 - (b) incorporated for purposes of undertaking the manufacture of human vaccines or other manufacturing activities including refining; and whose capital investment is at least ten billion shillings, subject to approval of the Cabinet Secretary for the National Treasury, on recommendation of the Cabinet Secretary for health;
- (ix) All goods including material supplies, equipment, machinery and motor vehicles for the official use by the Kenya Defence Forces, the National Intelligence Service, the Defence Forces Welfare Services and National Police Service;
- (x) such other goods the exemption of which the Cabinet Secretary may determine is in the public interest, or to promote investment and the value of which shall not be less than five billion shillings.
- (xi) goods imported for official use by international and regional organizations that have bilateral or multilateral agreements with Kenya;
- (xii) liquefied petroleum gas;
- (xiii) all goods and parts thereof of Chapter 88;
- (xiv) the supply of denatured ethanol of tariff number 2207.20.00;

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- (xv) bioethanol vapour (BEV) stoves classified under HS Code 7321.12.00 (cooking appliances and plate warmers for liquid fuel);
 - (xvi) any other aircraft spare parts including aircraft engines imported by aircraft operators or persons engaged in the business of aircraft maintenance upon recommendation by the competent authority responsible for civil aviation;
 - (xxvii) goods of chapter 5407 and 6309 imported as raw materials for manufacture of textile products in Kenya upon recommendation of the Cabinet Secretary responsible for investment, trade and industry; and
 - (xxviii) inputs, raw materials and machinery used in the manufacture of mosquito repellents upon recommendation by the Cabinet Secretary responsible for matters relating to health;

