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KENYA MARKET INTELLIGENCE REPORT, 2026

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Executive Summary

KENYA: EAST AFRICA'S PREMIER INVESTMENT GATEWAY

The Republic of Kenya (Kenya) is a coastal, multicultural country located in East Africa, bordering five (5) countries: Ethiopia, Somalia, South Sudan, Tanzania and Uganda. According to the International Monetary Fund (IMF) 2026 findings, Kenya remains the largest economy in East Africa, with the rest having a favourable rating, especially Ethiopia, Tanzania, and Uganda. The World Bank's findings indicate that the economic growth of Kenya is at 4.9% (recently revised to 4.3% for 2026) for the period running from 2025–2027, noting that the stability of the economy is attributed to key factors like macroeconomic activities, a stable exchange rate, and foreign reserves, not to mention that private sector credit is rebounding.

Kenya, as a coastal country, provides interstate connection through the 12,707 kilometres (7,895.76 miles) surface (road, rail, pipeline and inland waterways) network known as the Northern Corridor to East and Central Africa. There are other complementary structures via air, whereby Kenya had a record of 521 aerodromes as of 2023.

Kenya has a population of 54,227,015 people. A majority of the population has attained literacy, whereby the youth (aged 18-35) have an 88.7% literacy rate as per the Kenya Demographic and Health Survey (KDHS), while the general adult literacy rate is at 82%-94%, not to mention that its population is ranked 19th globally on English proficiency by the EF English Proficiency Index.

The Kenyan population has embraced smartphones and feature phones; smartphone penetration was 83.5%, according to the Communications Authority of Kenya (CA), and 4G and 5G coverage has risen to 97.3% and 30%, respectively (2025).

While Kenya is yet to achieve its optimum Foreign Direct Investment (FDI), there has been a tremendous increase in FDI inflows, with 2025 establishing an increase in inflows from previous years by 37.7%. The FDI inflow into Kenya was US$ 3.2 billion, with some of the key sectors that international investors are focusing on including large-scale agriculture and horticulture, artificial intelligence (AI), energy and sustainability-based projects (such as solar, recycling, and wind), financial services and fintech, information communications and technology, manufacturing and real estate and construction, among others.

Kenya, also in the technology world known as “Silicon Savannah”, is rapidly developing infrastructure that may influence investor interest. Lastly, it is evident that Kenya, though having employee-protective policies, has a well-defined and predictable minimum wage policy and employee handling framework.

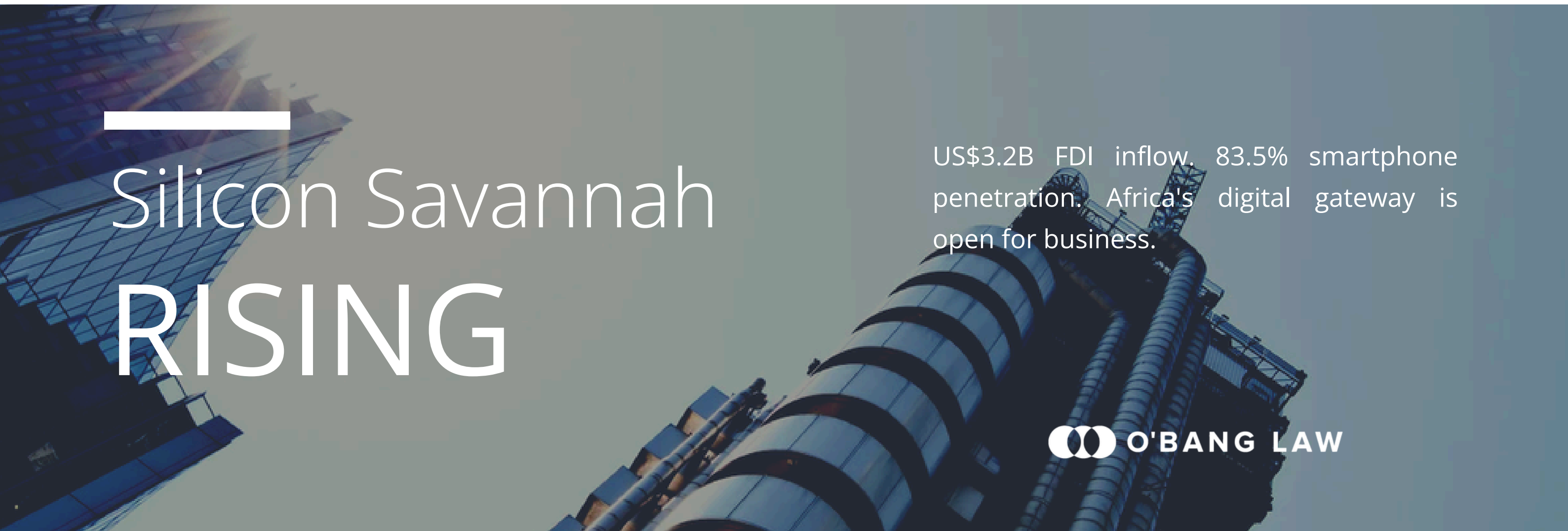
2. Macroeconomic Overview

IMF reports that Kenya’s Gross Domestic Product (GDP) is at US$ 147.26 billion. According to the IMF, this stands at 4.5%, which is 0.1% lower than the Kenya National Bureau of Statistics (KNBS) rate of 4.6%. The World Bank revised GDP growth to 4.3% due to the Iran-US dispute, climate shocks, and the 2027 election cycle.

Kenya Investment Authority analysis shows that 55% of GDP is in the service sector, 22% is agriculture and horticulture, and the remaining 23% is shared by the rest. Kenya holds a strong position as a pivotal hub for commercial, financial and logistics for the East and Central Africa with key financial institutions (directly or through their marketing offices) such as Societe Generale, Citibank, I&M Bank, NCBA Bank, JP Morgan, Standard Bank, Absa, (a total of 38 banks, 14 microfinance, among others such as Payment Service Providers, Digital Credit Providers, and Remittance), among others.

The Central Bank of Kenya (CBK) maintains an independent statutory mandate focused on monetary policy, which is unique from other government structures that may be heavily influenced by political grounds. The CBK reports Kenya’s annual average inflation rate over the past five years has been between 3.94% - 7.87%. This aligns with KNBS Consumer Price Index data, which indicated the rate was at 4.4% in January 2026. To manage inflation, the CBK heavily focuses on its Monetary Policy through the Monetary Policy Committee, whilst the government implements structural measures. Key drivers of inflation may arise from the energy sector since Kenya is a net importer of many products, challenges arising from rain-fed agriculture, exchange rate dynamics, among others.

Kenya’s currency is Kenya Shillings (KES), whose supply and printing are supervised by the CBK. In a transactional sense, it is essential to factor in the operational needs of a business and payouts for arising dividends on



grounds of the availability of foreign currency, more so the big two currencies. Exchange rates can be provided by banks, online forex exchanges or forex bureaus (one may consider cross-checking and spot trade on competitive grounds). There are other unique factors, such as tax on repatriated profits and rates to be adopted during these processes, to ensure that rates adopted for such tax-sensitive trades consider CBK exchange rates, especially where the paperwork may have lower figures.

The World Bank and its counterparts have highlighted Kenya's credit concerns in reference to the National Debt, noting that interest payments take about 1/3 of tax revenue. Key influential factors driving this underperformance trace back to commercial disruptions, issues with revenue collection, expenditures, public funds factors, borrowing mechanisms, among others. Recently, in a bid to address some of Kenya's fiscal issues, the Ministry of the National Treasury and Economic Planning (National Treasury) (2026) indicated the government is keen on integrating emerging initiatives in human capital development, agricultural transformation, energy, and transport and logistics, which may turn around aspects on public debt accumulation, strengthen debt sustainability and possibly implementation of a liability management framework.

The Ministry of the National Treasury (2026) states that its model for addressing fiscal policy and outlook will prioritise enhanced domestic revenue mobilisation, rigorous expenditure optimisation and reprioritisation, and protection of essential government programmes and social interventions.

Kenya remains one of the key strategic locations in Africa for investment, with direct access to five countries along its borders and an extension to Central Africa. Furthermore, it has Custom Bonded Warehouses that may be useful for storing products without incurring local taxes before local sales or awaiting transit to other markets. Kenya is a Member State of the East Africa Community (EAC), which comprises Burundi, the Democratic Republic of the Congo, Kenya, Rwanda, Somalia, South Sudan, Tanzania, and Uganda. This may translate to various commercial advantages based on the products of a particular investor, including certain customs union benefits and common market protocols, among others.

In Africa, Kenya is a member of the Common Market for Eastern and Southern Africa (COMESA) and has ratified the African Continental Free Trade Area (AfCFTA). These, among others, create different regulatory factors when conducting commercial activities in Kenya while interacting with countries under these blocs; COMESA has 21 member states, while AfCFTA is meant to incorporate all countries under the African Union through ratification. Kenya and Ghana were the first countries to deposit instruments of ratification of the AfCFTA.

3. Political and Governance Landscape

Kenya is one of the strategically positioned countries in terms of land, geopolitics and market access to various markets. Kenya's stability can be assessed across various dimensions, the most important being political stability. While Kenya had an intense Post-Election Violence (PEV) in the period ending 2007 and starting 2008, there have been incidents during the preceding general elections; however, none has

resulted in destabilisation comparable to that of 2007-'08.

It is evident that, with the oncoming general elections scheduled for 2027, there are possible risks in the form of gangs aligned to politicians, while other gangs may arise out of the need to take advantage of the "favourable" environment. It is essential to point out that, as per the Kofi Annan Foundation's 2026 Report, Kenya's Electoral Vulnerability Index (EVI) is estimated at 45.4, while the probability of political violence is estimated at 84.1%.

It is quite evident that there is usually some degree of violence, with Freedom House noting that in 65 countries and territories that it monitored in 2024, there was 40% violence and the violence was in different forms. The countries cited include France, Ghana, Japan, Mongolia, Senegal, South Africa, South Korea, the United Kingdom, and the United States of America for countries ranked by Freedom House as free countries. It is possible that the violence may be inevitable, but the gravity of the election-related violence matters.

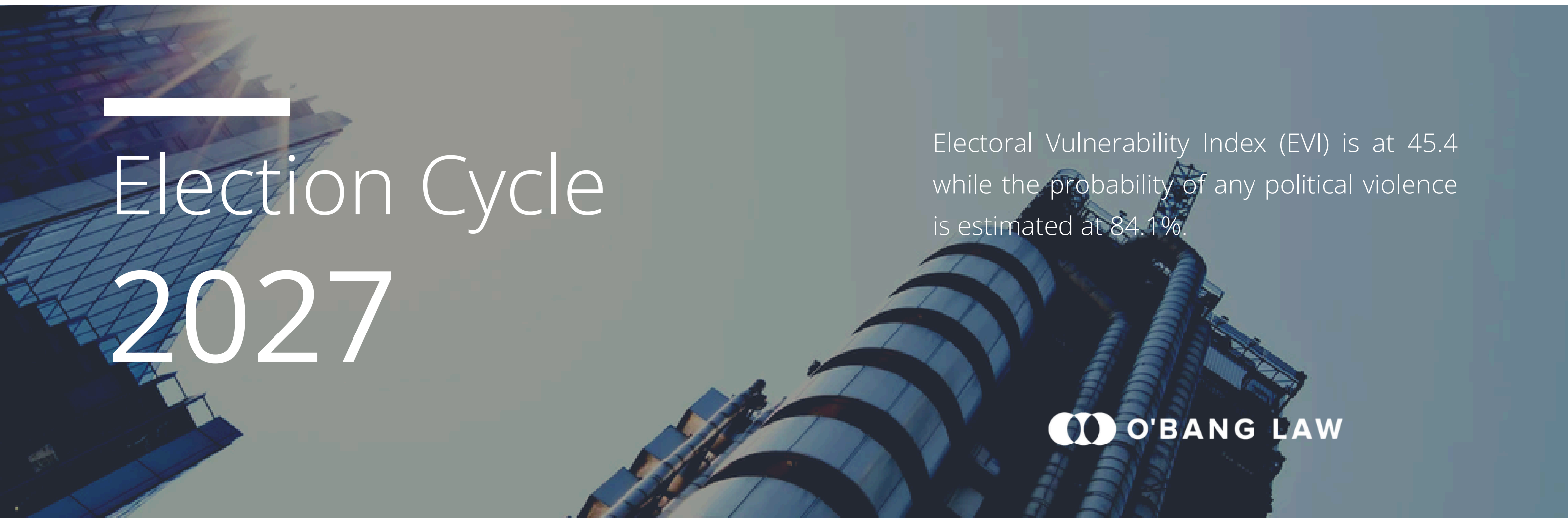
Kenya has two forms of government, the National Government and County Government. Realising the risks of zone-focused leadership and development, the decentralisation of government roles from the National Government to County Government was a key, though misused, structural mechanism to trickle down self-leadership/reliance and development. There is a need to investigate the devolving government structures when intending to invest to factor in the possible pros and cons on social, economic, and legal aspects arising from one county government over the other and relations with the national government, if there are any shared constitutional obligations.

Under the current regime, there have been tremendous amendments to the law; however, one of the core concerns for investors about Kenya has been the yearly tax adjustments that affect most core operational segments of various establishments, which result in an uncertain tax environment. There have been some public statements on the need to reconsider the frequent changes on tax, but it is yet to advance to any commendable stages. This may take some time as Kenya as an economy welcomes various market developments but the only way to catch up has been through frequent tax revisions, which can be capped on what segment is tax introduced without necessarily affecting the stability of core business operations.

4. Legal and Regulatory Framework for Foreign Investment

Kenya's regulatory framework accommodates various corporate structures, some with limitations while others do not have any limitations or requirements on aspects such as shareholding, directorship or key management team. Limitations usually arise from regulatory requirements for certain sectors, for instance entities regulated by the Capital Markets Authority (CMA), the CBK, the Communications Authority of Kenya (CA), the Kenya Civil Aviation Authority (KCAA), the Mineral Rights Board, among others. However, while the Companies Act provides for a sole director and/or shareholder, regardless of citizenship status, sector-specific requirements may affect the application of the Companies Act.

Recently, KRA has been one of the key government agencies that may affect the interpretation of the



Companies Act; thus, despite a type of business lacking any other statutory limitations, KRA will require at least one director of any entity that is applying for a VAT obligation to have an Alien ID or National ID for an application for VAT obligation to be approved; this is despite other possible requests for interviews, proof of invoices, among others.

Foreign investors or donors are likely to interact with or establish entities as a private limited liability company (LTD), public limited company (PLC), unlimited company (UL), public benefit organisation (PBO), company limited by guarantee (CLG), limited liability partnerships (LLPs), general and limited partnership, among others. These entities may be in the form of a newly independent entity, subsidiary or a branch. In certain spaces, an investor may need a regulator approval for their entity's name, team, investor or product prior to advancing to registration of that particular entity. Further, save where an exemption is issued, when forming an entity, statutory requirements may require including certain identifiers like insurance, bank, transfer services, EPZ, SEZ, among others, and providing certain disclosures on ultimate beneficial owners that hold at least 10% shares, voting rights or who can appoint or remove a member of the board.

Kenya has structured its tax regime to offer various tax holidays [for Export Processing Zones (EPZ) and Special Economic Zones (SEZ)], deductions [for investments of certain values, mostly outside Nairobi County], and waived certain withholding taxes on royalties. To a defined extent, some investors may have a special arrangement with the government to have a specialised tax framework under what is known as Special Operating Framework Arrangement (SOFA).

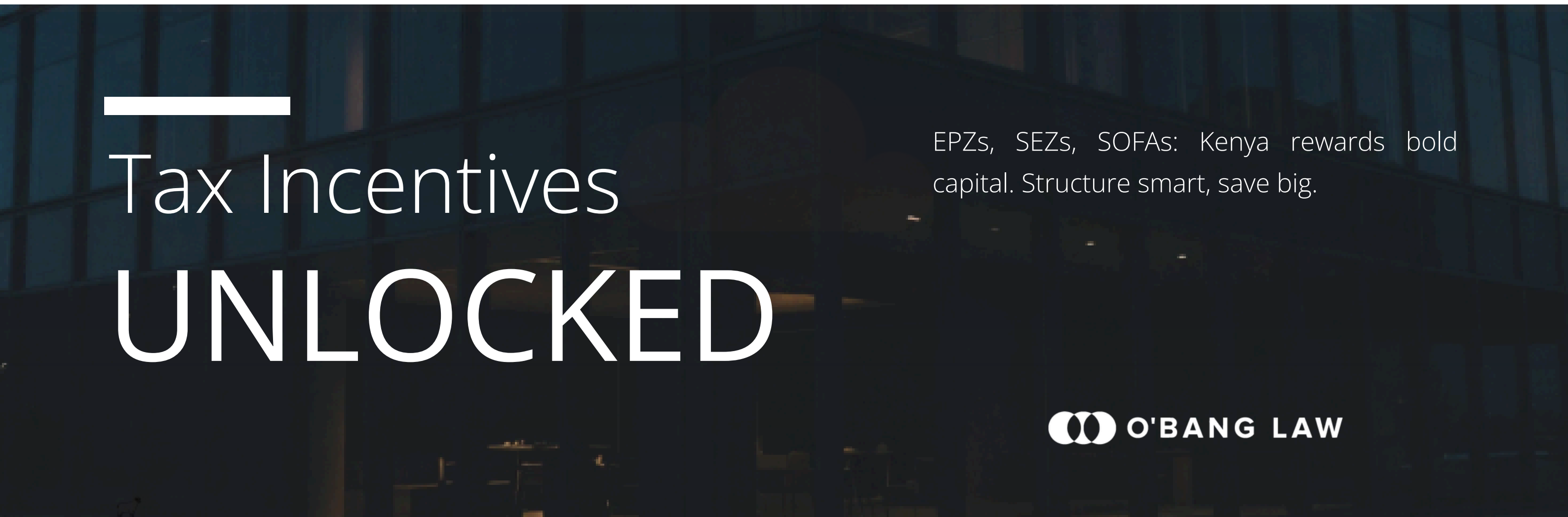
SOFA only covers entities that enter into an arrangement with the government for capital investment of at least KES 10 billion, and the entity is focused on the manufacturing of human vaccines, refining or other types of manufacturing. There are special tax rates for entities qualifying certain conditions under the Income Tax Act and as certified by the Nairobi International Financial Centre Authority (NIFCA).

There are several licensing regimes covering various business operations, with the most intensive being those that have a direct impact on public interest, security, or security-related activities. Below are some of the regulatory regimes that investors may consider, which vary on a sector-specific basis:

Central Bank of Kenya: Commercial Banks, Credit Reference Bureau, Forex Bureaus, Money Remittance Providers, Microfinance Banks, non-deposit-taking credit providers (taking over from Digital Credit Providers), Representative Offices, and certain virtual assets licenses.

Communications Authority: Application Service Provider (ASP) License, broadcasting services, ICT vendor licenses, postal and courier services, communication equipment, Network Facilities Provider (NFP) License, numbering resources, frequency spectrum resources, and electronic certification service provider (E-CSP). Some of the licenses may be issued under the Unified licensing framework (UFL).

Office of the Data Protection Commissioner: Registration for Data Controller and Processor License, enforcement of the data protection laws, and audits on data breach.



Insurance Regulatory Authority: agents, brokers, insurers, intermediaries, reinsurances, and sandbox applications.

Competition Authority: assessing and approving merger and acquisition transactions, consumer interests, and buyer-power assessment. CAK should be assessed alongside the East African Community Competition Authority (EACCA) and the Community of Eastern and Southern Africa (COMESA) as key regulatory authorities.

Capital Markets Authority: coffee broker license, collective investment scheme license, commodities broker/exchange license, credit rating agency license, crowd fund platform operator license, dealing online forex exchange broker, derivative exchange license, ESOP, derivative broker license, fund manager license, investment advisor license, investment bank license, non-dealing online forex exchange, online forex exchange money manager license, REIT trustee/manager license, sandbox applications, among others.

Energy and Petroleum Authority: appliances' energy performance and labelling, biofuels, electrical energy, logistics facilities and businesses, midstream and downstream, petroleum road transportation business, renewable energy, solar photovoltaic systems, upstream, and bulk supply of electricity.

Anti-Counterfeit Authority: mandatory recordation of intellectual property against the name of the owners, licensees, assignees, distributors or authorised persons. This needs to be considered alongside the Kenya Industrial Property Institute (KIPI) and the Kenya Copyright Board (KECOBO). New law proposed for these regulators.

Department of Immigration Services: approved religious or charitable activities permit, business visa, dependent permit, employment permit, investor permit, nomad permit, ordinary resident visa, permanent residence status, prescribed profession permit, prospecting and mining permit, special pass, specific manufacturing permit, and tourist visa.

National Environment Management Authority: effluent discharge license, environment impact assessment (EIA) license, import/export permit, waste management license, and climate change-focused projects (Climate Change).

Kenya Investment Authority: this ought to serve as a one-stop shop to facilitate a smooth entry of investors in Kenya and may share highlights of the incentives available for various types of investments in Kenya. There are ongoing regulatory developments touching on this regulator.

New law proposed for this regulator.

Kenya Revenue Authority: the government agency focuses on implementing tax laws, which is not limited to revenue collection of taxes and enforcement of tax laws but also approving tax obligations and licensing. Licenses include bonded warehouse, customs agent, excise license, manufacturing under bond, tax agent license, transit godowns, transit goods vehicles and conveyance of goods.

5. Sector Spotlights

Climate, Sustainable Finance & Agribusiness

Kenya stands in a favourable position when it comes to sustainable financing, as it ranks among the top countries in Africa for integrating Environmental, Social and Governance (ESG) into its practices. According to C40, Africa experiences a climate finance gap, whereby only US$30 billion of the expected US$ 155 billion annually is directed to Africa. It is essential to point out that various non-market approaches receive funding to address climate change concerns, which may or may not be tracked for better reporting of developments.

Kenya has formalised the regulatory framework on climate matters through the Climate Change Act to align with the Paris Agreement, while for agribusiness, there are several regulatory frameworks to manage land leasing for farming activities. There are well-defined export markets for produce based on government-to-government (G2G) or private relationships. Some of the G2G agreements include the Kenya-United Arab Emirates Comprehensive Economic Partnership Agreement (CEPA), Memorandum of Understanding (MoU) on Crops and Livestock Development between Kenya and Brazil, Kenya and Malaysia on coffee and tea tariff barriers, Kenya-China Early Harvest Agreement, among others.

The regulatory framework on climate factors seems fairly new in terms of implementation, therefore giving a fair ground for pilot phases with a possibility of frequent adjustments; also, it is favourable to align with the government data on what level of carbon credit trading is acceptable and a letter of authorisation being issued. On the other hand, agribusiness is one of the mature sectors in Kenya, with barriers being how an investor structures their trade; thus, high-focus farming for sale (targeted or with local or international contracts) or targeting international markets in the European Union (EU), the United Kingdom (UK), the Middle East, China, and Regional African Markets.

Digital Economy, Telecoms & Technology

The International Trade Administration highlights Kenya's digital economy, telecoms and technology as one of the most vibrant sectors in Africa, as it is one of the key areas for a technological testbed. Various factors influence this potential, including the regulatory framework, access to data, and smartphone availability, among others. The Communication Authority (CA) boasts a high penetration of 4G and 5G coverage, with over 73 million devices connected to the network.

The CA reports that 4G now covers about 97% of the population and 5G about 30%, while smartphone use stands at around 83.5% as at June 2025. Mobile money, being a key pillar in this sector, has seen subscriptions grow to 45.36 million users. With this surge, Kenya has set out the framework through the Kenya Information and Communications Act, which creates the CA, supported by the Data Protection Act, 2019, the Computer Misuse and Cybercrimes Act, and the new National AI Strategy (2025–2030). Further, the Government of Kenya launched the Digital Superhighway fibre project, which seeks to enhance digital connectivity for communities in coastal and inland water areas.

This sector has been governed by the aforementioned regulatory frameworks for some time now, save for the

Digital Frontier

OPEN

97% 4G coverage. 45M mobile money users. Africa's digital testbed is wide open.

National AI Strategy. The major barriers here are the strong market dominance of Safaricom PLC and Airtel Africa, as well as the customer loyalty they receive. That said, it is important to align with the stringent CA licensing terms and confirm the data transfer rules before scaling up.

Energy, Power & Renewables

Kenya has abundant renewable energy resources as evidenced by its energy mix, which consists of wind, solar, geothermal, and hydro, accounting for approximately 90% of Kenya's installed capacity. Kenya has aggressively intensified its electrification programme over the years, and as of today, national electricity access stands at 84%, having grown from 32% in 2013. Despite the significant growth, power supply is still low for a country with a population of over 55 million and growing industrialisation. The government, through its only distributor, Kenya Power & Lighting Company (KPLC), pursues efforts to increase power demand and supply and lower the cost of electricity by injecting cheaper renewable energy sources, such as geothermal, wind, and solar, into the energy mix, while weaning off the more expensive Heavy Fuel Oil (HFO) plants. As at June 2025, EPRA reported that Kenya's installed electricity generation capacity stood at approximately 3,840MW; as per the US's ITA, renewable sources account for about 90% of the country's generation mix. It is expected that power generation will reach 5,000MW by the year 2030, with the bulk of it coming from clean renewable energy sources.

While there are major barriers, including the high cost of project development, access to long-term financing, foreign-exchange exposure, grid congestion, delayed transmission connection, and lengthy approval processes, land acquisition, wayleaves, environmental approvals and community engagement, there remains a market gap around geothermal, solar, wind, battery storage, mini-grids, captive power, electric mobility, clean cooking and transmission infrastructure.

The Energy Act, 2019, establishes the Energy and Petroleum Regulatory Authority (EPRA) as the principal regulator of Kenya's energy sector, with responsibility for licensing and regulating electricity generation, transmission, distribution, supply and renewable energy activities. Depending on the nature of a project, developers may also require approvals from agencies such as KPLC, NEMA, KEBS, EBK and the relevant county government.

In addition, the Electricity Market, Bulk Supply and Open Access Regulations, 2024, have introduced a framework for qualifying consumers to purchase electricity from alternative suppliers while the Net-Metering Regulations, 2024, also allow eligible consumers with renewable systems below 1MW to export excess electricity to the grid, subject to technical and regulatory requirements.

Financial Services & Fintech

Kenya stands among the leading financial services markets in Africa, with a banking sector whose total assets are above KES 8.06 trillion as of September 2025, according to the Kenya Bankers Association (KBA). Over 45 million persons now have access to financial services, mostly through mobile money, where subscriptions are above 45 million, and M-Pesa holds close to 90% of the market. It is essential to point out that in 2024 Kenya attracted US$ 638 million in start-up funding, the highest in Africa, and this was supported

by the launch of the Nairobi International Financial Centre (NIFC).

Kenya has set out the regulatory framework for the sector through the Central Bank of Kenya Act (Cap 491), supported by the National Payments System regulations, the Data Protection Act, 2019, and AML-CFT laws, while the Capital Markets Authority is tasked with supervising, licensing and monitoring the activities of market intermediaries, including the Stock Exchange and the Central Depository and Settlement Corporation (CDSC). There is no separate law for fintech; the products fall under the existing financial laws. To boot, there are newer regulatory notes such as the Virtual Asset Service Providers Act, which has established a licensing and supervisory framework for virtual asset service providers (VASPs).

This sector’s main barriers hinge on how an investor structures its entry, particularly on the rigorous licensing requirements under several regulators, higher capital requirements, digital lender registration, and cross-border rules.

Infrastructure, Aviation & Transport

Kenya's transport and storage sector accounts for 11.8% of the GDP, with logistics and warehousing alone at US$ 6.34 billion in 2025, projected at US$ 9.7 billion by 2031. Road transport carries over 80% of passenger traffic and 76% of freight, supported by the SGR extension and port modernisation sustaining Kenya's Northern Corridor position. Air transport, on the other hand, generates US$ 3.3 billion in total economic impact, being 3.1% of the GDP, directly employing 21,100 people and supporting 460,000 jobs. This makes Kenya the 88th largest passenger market globally at 2.3 million international departures and the 35th largest cargo market at 380,000 tonnes annually.

The construction market through which infrastructure is delivered grew at a compounded annual rate of 11.2% between 2021 and 2025 and is forecast at KES 1.02 trillion in 2026. As for infrastructure, the Public Private Partnerships Directorate's report of April 10, 2026, records 51 active projects, of which 10 are under implementation. The Public Private Partnerships Act, 2021, governs private participation in public infrastructure, providing for project financing, construction, operation and maintenance. Planning consents arise under the Physical and Land Use Planning Act, 2019, with the National Construction Authority overseeing the industry.

On regulatory compliance when it comes to transport, civil aviation and road transport, Civil Aviation is regulated by the Kenya Civil Aviation Authority under the Civil Aviation Act, Cap 394, which binds it to the Chicago Convention, as read with the Civil Aviation (Licensing of Air Services) Regulations, 2025, and the Civil Aviation (Unmanned Aircraft Systems) Regulations, 2020. Road transport falls to the National Transport and Safety Authority under its 2012 Act and the Traffic Act, while ports, ship registration and cabotage sit with the Kenya Ports Authority and Kenya Maritime Authority.

Barriers are structural rather than commercial. They include substantial upfront capital and borrowing costs, complex licensing, entrenched state monopolies, informal cartels in road freight and opaque contracting. In roads, the Treasury's shift from annuity payments to user-pay tolling transfers demand risk to the private party over thirty-year concessions, while in aviation

entry is gated by licensing, operating taxes and the ownership and control test rather than capital.

Manufacturing & Industrial

Manufacturing is one of the most well-established and long-running sectors in Kenya, and boasts the largest industrial base in East Africa. The sector's real GDP in Kenya grew by 4.4% in Q1 2026, up from 2.8% a year earlier. Moreover, manufacturing powers Kenya's economy, accounting for over 11% of formal employment and contributing more than 7% to GDP. Credit to the sector also rose, from KES 566.2 billion in March 2025 to KES 588.0 billion in March 2026. Moreover, Kenya is a hub for industrial investment through its Special Economic Zones (SEZs) and Export Processing Zones (EPZs), which offer tax incentives such as corporate tax holidays and exemptions on import duty and VAT.

Kenya has set out the framework through the Export Processing Zones Act and the Special Economic Zones Act, under the Ministry of Investments, Trade and Industry. Within the Ministry, the Directorate of Research, Manufacturing and Industrialisation Policy coordinates industrial policy and processes tax exemptions on raw materials and capital goods, issues African Growth and Opportunity Act (AGOA) certificates for exporters, evaluates Environmental Impact Assessment reports with NEMA, and handles Pre-Export Verification of Conformity (PVoC) through the Kenya Bureau of Standards.

The barriers experienced in this sector are mostly practical: higher production costs than competitors, e.g., the Asian market, competition from imports, and gaps in power, water, and transport. AGOA access to the United States also carries renewal uncertainty. It is favourable to set up inside a gazetted zone to enjoy incentives and to confirm applicable exemptions before committing.

Construction & Real Estate

The Kenyan real estate market has continued to experience steady growth over the past few years, reflecting the country's rising demand for residential, commercial and mixed-use properties. The construction industry consists of residential and commercial buildings, industrial facilities and a broad range of civil and transport infrastructure, with industry activity shaped by both public works aligned with national and county development agendas and private-sector construction responding to market demand for both affordable and premium property.

According to the 2026 Economic Survey by the Kenya National Bureau of Statistics (KNBS), the construction industry accounted for roughly 6.6% of Kenya's GDP, equivalent to about KES 1.14 trillion. This has been driven by increased civil works, particularly the construction and maintenance of roads, alongside a pick-up in residential building activity in major urban centres such as Nairobi and its environs. The rebound was further evidenced by a 20.3% increase in cement consumption, a 50.7% rise in the volume of imported iron and steel, and a 45.5% year-on-year increase in credit extended to construction enterprises.

While this sector is experiencing, and is expected to continue experiencing, significant growth, rising construction material costs, limited land availability and affordability, and regulatory uncertainties remain major complexities. Nonetheless, the

government continues to streamline land acquisition and management processes through the Land Act and related laws while also promoting investment by increasing investor participation through the Real Estate Investment Trusts (REITS).

6. Tax and Fiscal Regime

Corporate Tax

Generally, the Corporate Income Tax (CIT) for a local or subsidiary entity is at 30% of the declared net profit after the allowable deductions, while that of a branch has equally been revised downwards to 30%. Furthermore, there is an additional exposure to repatriated tax in case of any disbursement of profits outside Kenya. For companies licensed to operate at the Export Processing Zone (EPZ), the CIT for the first 10 years is 0% from the year of the first sale, 25% CIT for the next 10 years, while for Special Economic Zones (SEZ) for the first 10 years is 10%, 15% for the next 10 years and 30% thereafter.

VAT

The Value Added Tax (VAT) ranges between 0% and 16%. Currently, VAT is the most rigorous tax obligation one may apply since it requires that, should there be no director with a Kenyan national identity card or an alien identity card, the KRA will decline the application for VAT obligation. There are other key requirements, such as invoices or interviewing of the director, that may be pushed by KRA prior to considering whether the VAT obligation will be approved.

For purposes of expensing, a person is required to rely on eTIMS receipts. This is a push to expand the tax base by encouraging businesses to work only with persons who are willing to declare their revenue to the government.

EPZ entities are exempt from VAT on inputs.

Transfer Pricing

Transfer Pricing is a vital factor for any entity that engages in transacting with its associated entities, whether locally registered or cross-border. An entity is expected to develop a Transfer Pricing Policy that will be deposited with KRA to affirm arm's-length pricing and reduce the risk of KRA adopting a different pricing model that may harm the entity's financial planning.

Double-Taxation Treaties

Kenya has Double Taxation Treaties / Agreements (DTT/DTA) with only 16 countries:

- Canada
- Denmark
- France
- Germany
- India
- Iran
- Norway
- Qatar
- Seychelles
- Singapore
- South Africa
- South Korea
- Sweden
- United Arab Emirates
- United Kingdom
- Zambia

Finance Act, 2026 changes

The Finance Act, 2026 has introduced various adjustments such as:

Royalty: The Act redefines what amounts to royalty, which includes payment made for use of intellectual property, plans, formula, process, equipment, or information (industrial, commercial, or scientific), or a proprietary digital payment card network or platform.

Any entity benefiting from a payment classified as a royalty will experience a deduction ranging from 5% to 20% from the gross payment to a resident or non-resident, respectively.

Non-Resident Rental Income Tax: Non-resident landlords are targeted by the Act through the introduction of a final Withholding Tax (WHT) regime on rental income from Kenyan property: 30% on gross rent, premium, or similar payments for immovable property, and 15% where the rent relates to property other than immovable property.

They must register under a simplified framework prescribed by the Commissioner, file returns, and remit the tax by the 20th day of the following month, unless they appoint a resident agent to discharge these obligations on their behalf.

This addition subjects non-resident landlords to an administrative burden, where they squarely fall into Kenya's tax net.

Country-by-Country Reporting (CbCR): The Act makes technical drafting amendments to subsections (1), (2), and (5) of s 18D, ITA, correcting statutory references to align with the 12-month CbCR filing deadline and confirm that the obligation applies equally to Ultimate Parent Entities and constituent entities.

While the amendment is largely a clean-up separating CbCR provisions from the Master File and Local File requirements, ambiguity persists around s 18D(3), ITA, which obliges an ultimate parent entity or constituent entity to file a Master File and Local File without expressly importing the KES. 95 billion consolidated turnover threshold set under s 18D(1B), ITA, for CbCR.

If left as drafted, this could be interpreted as extending Master File and Local File obligations to all multinational groups regardless of turnover.

Definition of Ultimate Parent Entity: The Act amends the definition of "Ultimate Parent Entity" in s 18F, ITA. Rather than simply requiring that the entity is not to be controlled by another and that it owns or controls constituent entities, the new definition requires that the entity holds a sufficient direct or indirect interest in other constituent entities, be obliged to prepare consolidated financial statements under its jurisdiction's accounting principles, and that no other constituent entity in the group holds a comparable sufficient interest over it.

This amendment brings clarity regarding the entity in a multinational group which bears CbCR filing responsibility, reducing ambiguity in group structure with multiple ownership layers.

Income Tax Return Filing Timelines: s 52 & s 52B, ITA, are amended to shorten the statutory deadline for filing income tax returns from six (6) months to four (4)

months after the end of the year of income.

A tighter filing window intends to improve compliance and administrative efficiency for the Kenya Revenue Authority (KRA).

For taxpayers, this increases the risk of late-filing penalties for those slow to adjust. Further, ordinarily, many individual taxpayers are last-minute filers and are likely to fall victim to this amendment.

PPP Infrastructure Projects: The VAT Act is amended to exempt supplies of services for direct and exclusive use in implementing PPP infrastructure projects, subject to Cabinet Secretary approval on the recommendation of the Cabinet Secretary for the implementing Ministry.

Project costs are lowered and could improve returns for PPP investors. Through this, the National Treasury shifts towards PPP financing as an alternative to traditional debt financing, easing pressure on Kenya's public debt.

Tax Avoidance: s 23, ITA, which empowers the Commissioner to adjust a taxpayer's liability where a transaction is primarily aimed at avoiding or reducing tax, is repealed.

The repeal eliminates duplication of laws, as comparable anti-avoidance powers already exist under the Tax Procedures Act, Cap. 469B.

Antique, vintage and classic vehicles: motor vehicle whose year of first registration is at least thirty years before the date of purchase of the motor vehicle and whose value is at least ten million shillings exclusive of depreciation.

The excise duty will be 50% of the excisable value (Customs Value + Import Duty).

7. Employment and Labour Considerations

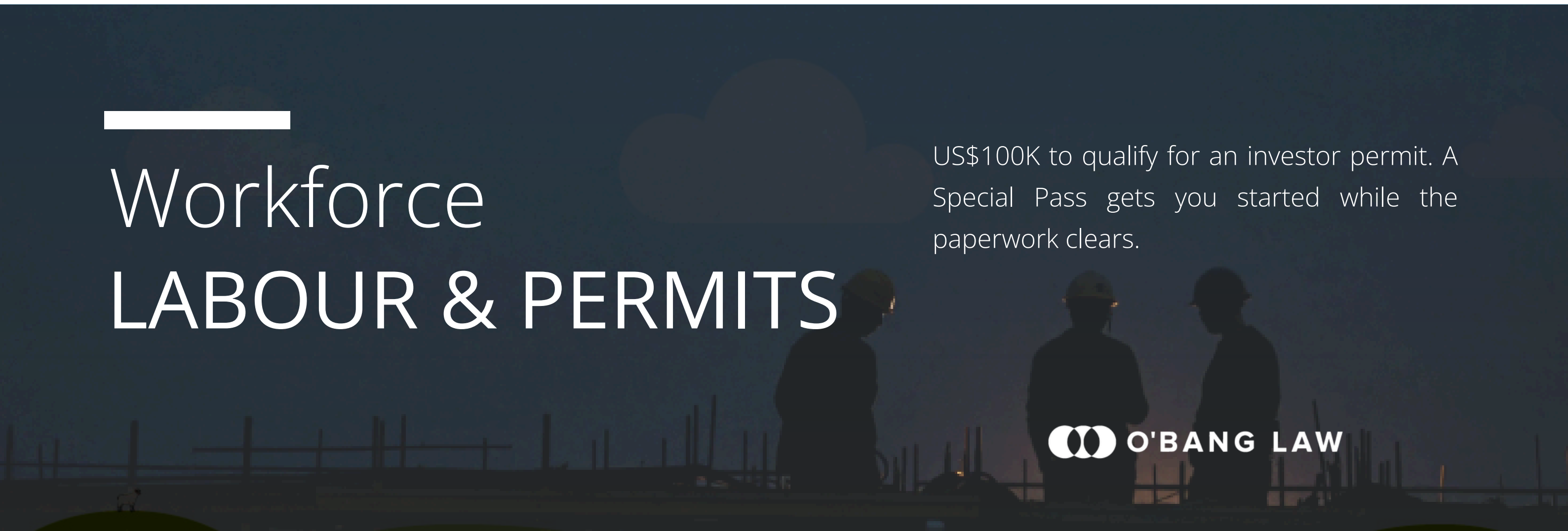
Work Permits

Kenya's Department of Immigration Services (DIS) offers various permits and passes that allow foreign investors to access the Kenyan market. Several types of permits are available, some of which are outlined below:

Employment Permit is useful for individuals appointed as an employee for an entity based in Kenya. The government and related disbursement costs for such a permit is approximately KES 1,050,000 for a two-year work permit. An applicant, among other requirements, needs to have an understudy. This permit makes it easy for a person to access various services including banking services.

Investor Permit is useful for the promoters of an entity that seeks to initiate operations in Kenya. The government and related disbursement costs for such a permit is approximately KES 550,000 for a two-year investor permit. Furthermore, a person seeking this type of permit has a higher chance of success as compared to one applying for Employment Permit. One of the key requirements for this permit is the ability to demonstrate that the investor has US$ 100,000 ready to invest in Kenya.

Special Pass is useful as a quick solution for a person to commence working as the Employment Permit is being processed, if the applicant is already present in Kenya. The government fee is about US$ 200 per



month, whereby the initial application can be 1 – 3 months and can be extended further for a maximum of 3 months.

Dependent Pass is suitable for the employee or investor's immediate family members. The couple or child(ren) may apply for a Dependent Pass to secure the rights to live with their family in Kenya. However, the Dependent Pass does not hold any rights to work; therefore, should a dependent wish to work while in Kenya, such a dependent will have to apply for an Employment Permit.

It is encouraged to lodge an application for some of the licenses in good time since assessment may take between 1 – 2 months, more so for new applications due to intensive scrutiny by the government on security grounds.

Local Content Rules

Kenya has stiff regulations (application may seem different) on labour practices in terms of preference towards locals as compared to foreigners. For instance, securing work permits under a Prescribed Professional Permit may be harder due to the availability of a pool of talent. Furthermore, where a foreigner is applying for an Employment Permit, there is a need to disclose an understudy.

Under proposed legislation, the Local Content Bill, 2025, if enacted as currently drafted, the Bill would require a foreign company to have a workforce of at least 80% Kenyans with fair remuneration. The opportunities offered are expected to cover all departments, including top management.

Labour Law Trends

Kenya's labour laws are structured to provide employees with a high level of protection, with deterrent measures against poor labour practices enshrined under the Employment Act, including the award of pecuniary damages in cases of unfair treatment. There are clear minimum wage regulations factoring in the labour force. In case of a dispute between an employer and employee, where an employee institutes legal action against the employer, the Court will assess the case on two key pillars: the reason for termination and the procedure followed when terminating an employee's contract.

Employers in various sectors resort to fixed-term contracts to ease the pressure of conducting termination processes in the event of any malpractice, and such fixed contracts (usually 12 months or less) help in managing dispute costs to the remainder term of the fixed contract, unlike a permanent contract, which leaves room for potential damages of up to 12 months' salary. However, a recent Court of Appeal decision seems to shake the application of the term contract under the Employment Act for longer periods (renewals).

There are various stakeholders that spearhead employees' rights, which include the Labour Office and Workers Union. The former is located across the country and may intervene upon notification or independent assessment of compliance with labour laws, while the latter is sector-focused and may seek recognition upon securing a simple majority (50%+1) of employees as union members.

8. Land, Property and Natural Resources

Land Tenure System

Kenya's Constitution classifies land into public, community and private land. Public land covers any piece of property owned by the government or occupied by a state organ unless leased. These include properties with no identifiable heir, minerals and mineral oils, property with no classification, continental shelf, among others.

The private land consists of freehold tenure and leasehold tenure. These tenures are the most common for individual persons, with foreigners' interests to own land being limited to the leasehold tenure. There are other regulatory requirements or conditions on the use of the pieces of land, such as zoning and riparian, among others. An investor needs to have a clear understanding of regulatory limitations or requirements where necessary.

Community land is property that is owned through similar aspects such as ethnicity, culture or similar community of interest. The ownership of community land may be structured as customary land, freehold land, leasehold land or as the law provides.

Foreign Land Ownership Restrictions

Freehold land is available to citizens of the Republic of Kenya. Freehold land cannot be owned by a foreigner, whether directly or through a corporate structure. The use of a local and foreign shareholder does not waive the requirements of ownership for freehold property. The structure of the model does not change the regulatory requirement, which may affect the processing of the transfer. The law provides that where a foreigner holds a freehold property, the same should be converted to leasehold (this is a retrospective aspect that affects foreigners who hold freehold land when the law came into effect) for a period not exceeding 99 years.

Foreign investors can own leasehold properties. Leasehold properties have a term limit not exceeding 99 years and can be renewed. The law provides an elaborate renewal timeline and processes meant to safeguard the interests of the current owner of the property. Leasehold properties are generally available for residential or commercial use subject to securing relevant consents or authorisation for such usage; furthermore, such commercial usage requires considering the zoning laws in place.

Mining/Extractives Regime

Minerals are considered property of the government; therefore, any licensed or unlicensed realisation of any resources requires statutory disclosures, as exploration will require certain licenses and permits for mining, dealing or importing at any given time. However, there are some key regulatory frameworks on the mining/extractive regime, whereby the Mining Act does not cover petroleum and hydrocarbon gas; the two fall under the Petroleum Act and Energy Act respectively.

The licensing regime is administered by the Mineral Rights Board. The Mineral Rights Board issues licenses or permits for artisanal mining, mineral dealing, prospecting, retention, mining, and reconnaissance. Where there is a large-scale mining activity for strategic minerals, the government, subject to any other rights, will have 10% free carried interest in the share capital without financial contribution, while for small-scale operations, the licenses for artisanal mining permit,

prospecting permits or mining permits are issued to Kenyan citizens or entities where 60% of the shares are held by a Kenyan Citizen. The 60% requirement also applies to mineral dealers' permits. Also, 10% of the royalties are supposed to be used in running projects identified by the community within the exploration area.

The Energy Act regulates and authorises issuance of permits or licenses for electricity licenses (generation, transmission, distribution, retail license and electrical contractor license/certified electrical worker certificate), geothermal resources license, downstream coal, renewable energy feed-in-tariff, and local content plan approval.

9. Data Protection, Technology and IP

Data Protection

Kenya has a comprehensive Data Protection legal framework that mirrors the United Kingdom's Data Protection laws and some elements from the General Data Protection Regulation (GDPR). Therefore, it generally eases compliance for investors whose compliance framework is within the mentioned laws.

The Office of the Data Protection Commissioner (ODPC) is the supervisor and enforcer of the Data Protection laws of Kenya. In this particular case, save where there is an exemption, ODPC requires all data controllers and processors to register for the Data Controller License and/or Data Processor License. This process is more of a self-assessment; therefore, it is essential to ensure accurate information is submitted so that in the event of a breach, the breach will be audited by the ODPC as per the entity's self-assessment. False information may expose a controller or processor to statutory penalties.

The statutory costs are in two models, whereby statutory fines are limited to a maximum of KES 5 million or 1% of the gross revenue of the preceding year, whichever is lower; however, damages payable to a data subject have no statutory cap. The ODPC has rendered several decisions on data-related breaches, with figures ranging from KES 50,000 to about KES 5 million.

Digital Economy

Kenya has affordable data packages and high smartphone penetration compared to feature phones; furthermore, with the availability of 4G and 5G internet, Kenya is a prime market for the Digital Economy. In that regard, Kenya has a mature regulatory framework covering various aspects of the Digital Economy. These frameworks cover aspects of consumer needs, equipment, civil and criminal offences, specialised regulatory requirements for certain spaces, and market guidelines.

Investors can invest in sectors such as online trading platforms, payment service providers, remittance, insurtech, virtual assets, non-deposit-taking credit providers (formerly digital credit), e-commerce, cloud services, delivery services, ride-hailing services, digital content creation, among others.

IP Registration

Intellectual Property protection mechanisms are in place in Kenya. The key national regulators include the Kenya Industrial Property Institute (KIPI), the Kenya Copyright Board (KECOBO), the Anti-Counterfeit Authority (ACA), and the Kenya Plant Health Inspectorate Service (KEPHIS).

KIPI is a government agency that handles the application for trademarks, patents, industrial designs, and utility models. The most active part being the registration of trademarks. KIPI liaises with the World Intellectual Property Organisation (WIPO) for registrations originating from Kenya. KIPI is running a pilot program to conduct various activities on patents, utility models, and industrial designs through an online platform.

KECOBO is a government agency entrusted with the registration of all forms of copyrights through an online platform and licensing of Collective Management Organisations (CMOs). In Kenya, the moral rights of an author cannot be taken away, and such an author has the right to object to any action taken in relation to the copyright that may result in prejudice to their honour or reputation.

ACA is a government agency focusing on addressing counterfeit products in the market. The agency also provides for mandatory recordation of intellectual property. This is mandatory for foreign entities whose products are imported to Kenya for trade, while locally manufactured products are not mandatorily required but highly encouraged.

10. Dispute Resolution and Enforcement

Kenya adopts a common law legal system and has a Judiciary, which is one of the three independent arms of the Government. Dispute resolution forums may be classified as quasi-judicial and judicial processes. The former may include arbitration or tribunals under various statutory provisions, while the latter is more focused on the Court systems. The judiciary has various classifications and divisions to address other unique legal topics. The jurisdiction for the courts varies depending on subject matter or pecuniary value. However, the clear outline in descending order is the Supreme Court, Court of Appeal, High Court, Employment and Labour Relations Court, Environment and Land Court, Chief Magistrates' Court, and Small Claims Court.

There are other acceptable models of resolving certain types of disputes to the extent acceptable to the laws of Kenya. Some of these processes are conciliation, mediation, adjudication, arbitration and any other combination of these options. For purposes of this highlight, the focus is on arbitration, which is covered under the Arbitration Act. Parties to certain types of contracts may adopt arbitration as a model of dispute resolution, with the applicable law and forum being Kenya or any other that Kenya easily reciprocates, in most cases without a fresh hearing. Judgements/awards from Australia, Malawi, Seychelles, Tanzania, Uganda, Zambia, the United Kingdom and the Republic of Rwanda are acceptable as per the Foreign Judgments (Reciprocal Enforcement) (Extension of Act) Order.

Kenya's enforcement mechanism is further extended for disputes structured under the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) as read together with the Arbitration Act. Kenya's reservation to the New York Convention is that it will only accept awards from New York Convention member states. This is applicable in line with the Constitution of Kenya.

Foreign dispute resolution processes that may result in requiring recognition and enforcement in Kenya require adherence to the technical and procedural requirements to ensure that the international arbitral

award is recognised and enforced in the first instance. Some of these factors are notices, timelines, fairness, public policy (a government's notion of morality and justice), among others.

A person expecting the High Court in Kenya to recognise and enforce an international/foreign arbitral award, when lodging an application, will provide the original arbitral award and original arbitration agreement or certified copies of the two, which should be in the English language.

11. ESG, Social and Community Factors

Community Land and Free, Prior and Informed Consent: Community land covers about 67% of the landmass in Kenya; therefore, making it one of the possible target zones for climate change or sustainability-focused projects. The Climate Change Act recognises the possibility of the use of such properties and requires the provision of free, prior and informed consent (FPIC) by at least having a quorum of the property owners as per the Climate Change (Carbon Markets) Regulations, 2024. It is imperative to substantively address all pre-investment regulatory requirements rather than merely follow the procedure. This may reduce various forms of interruption and improve chances of success if a dispute arises.

Climate Regulation and carbon project governance: While Kenya had come up with a clear regulatory framework on carbon markets, the same was not expansive on other activities that drive sustainability in various sectors of Kenyan society***.*** The assent to law of the Climate Change (Non-Market Approaches) Regulations 2026 has opened windows to advance various sustainability and climate finance programs in the country. Non-Market Approaches (NMAs) are classified into three groups: adaptation, resilience and sustainable development; mitigation measures; and development of clean energy sources.

International Notifications: There are ongoing measures to ensure full operationalisation of the climate change-focused regulatory framework, which will ease the provision of live data on current projects, including details such as the types of funding (e.g., grants, green bonds, concession loans, debt-for-nature swaps, outcome-based financing, among others). The notifications arise from the Climate Change Act and the Paris Agreement, whereby the Climate Change Directorate shall publish NMAs approved for international recording. NMAs receiving such approvals will have an easy chance of interacting with investors who are keen to participate in NMAs in Kenya since there are continuous reporting requirements.

National Environmental Management Authority (NEMA): The government agency plays a major role in assessing the impact of projects through the Environmental Impact Assessment (EIA). Projects, regardless of how economically important they may be to locals or the community, may fail once a judicial process commences, usually due to a lack of a substantive assessment process. Investors are encouraged to be more substantive in the procedure, rather than merely checking boxes to follow a process.

12. Risk Matrix and Outlook

Kenya remains one of the major investment destinations for various multinationals in Africa, and

due to the need to enhance favourable diplomatic relations, Kenya has continuously developed its regulatory framework towards achieving certain investor attractiveness. This is despite the possible gap between a proper regulatory framework and challenges arising from implementation due to infrastructure, talent or ethics factors. Below is a risk matrix and outlook for Kenya:

Category	Factor	Likelihood	Impact	Note
Political	2027 General Elections	Medium	Medium	Kenya's General Elections are always competitive and based on the Kofi Annan Foundation's 2026 Report, the 2027 election is expected to be highly competitive. Pre-election economic slowdown and post election implication on certain government reshuffles.
Legal/ Regulatory	Finance Act, 2026	High	Medium	Businesses should commence risk mapping various provisions that need Public Affairs and Policy Intelligence measures.
Legal/ Regulatory	Climate Change Regulatory framework	High	Medium	The government is taking keen interest in the carbon markets with letters of authorisation being issued.
Economic	Currency Volatility (KES)	Medium	Medium	Applicable towards US$ dominated debt servicing and repatriations.
Economic	Debt sustainability (fiscal position).	Medium	Low-Medium	This is towards government co-investment capabilities and public infrastructure partnerships.
Social	FPIC Disputes	Medium	High	Non-substantive procedures may result in failing to establish social licenses resulting in halting major projects.
Sector Specific	Enforcement of the Data Protection Laws	Medium	Low - Medium	Administrative fines and damages in favour of Data Subjects. Financial Services & Fintech and infrastructure focused investors.

13. How We Can Help

O'Bang Law (Ong'anya Ombo Advocates LLP), for the last eight (8) years, advises investors, lenders, and multinational entities that are entering Kenya across various sectors such as energy, agribusiness, real estate, and fintech. Our Kenya-focused team combines corporate, commercial, tax, employment, and dispute resolution specialists with on-the-ground regulatory relationships, providing clients with a single point of contact for structuring, licensing, and cross-border transaction needs. Our sectors include:

Corporate & M&A:	entity formation, joint ventures, debt financing, perfection of securities, acquisitions, outcomes based financing, and exit structuring.
Employment & Immigration:	work permits, local content compliance, and workforce structuring.
Data, Technology & IP:	Data Protection compliance, IP commercialisation, IP franchising, brand protection, and technology transaction support.
Dispute Resolution & Arbitration:	contract enforcement, regulatory disputes, and international arbitration.
Regulatory Compliance & Licensing:	specific licensing applications (banking, insurance, telecoms, energy, capital markets), regulatory approvals from bodies such as the CMA, CBK, CA, and EPRA, and ongoing compliance monitoring for regulated entities.
Tax & Regulatory:	incentive applications, transfer pricing, and compliance with the Kenya Revenue Authority.

The analysis in this report is general market information and does not constitute legal advice for any specific transaction. If you are evaluating an investment, acquisition, or market entry into Kenya, our team can provide a tailored assessment specific to your structure and objectives.

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