Why Kenya?

Kenya continues to demonstrate resilience and opportunity for international investors, with a population exceeding 55 million and GDP growth of 4.6% in 2025[1]. Its diversified economy spans agriculture, manufacturing, ICT and renewable energy, offering both scale and sectoral depth. Strategically located, Kenya serves as East Africa's primary gateway, with the Port of Mombasa and the Standard Gauge Railway providing efficient connectivity to regional and global markets. Through the East African Community (EAC) and the African Continental Free Trade Area (AfCFTA), investors gain preferential access to more than one billion consumers, strengthening Kenya's role as a regional hub. From commercial to regulatory perspective, Kenya offers structured incentives that enhance competitiveness. Special Economic Zones (SEZs) and Export Processing Zones (EPZs) provide tax holidays, reduced corporate tax rates. And customs advantages. Double taxation agreements further mitigate cross-border risks, while ongoing reforms in digital infrastructure and renewable energy ensure operational reliability. In alignment with the Kenya Investment Authority (Invest Kenya), priority sectors include agro-processing, clean energy, ICT and outsourcing, supported by streamlined licensing and investor facilitation services. A youthful skilled workforce underpins innovation and adoption of technology, particularly in fintech and mobile commerce. These fundamentals position Kenya as a credible, scalable and sustainable environment for international business expansion.

1. Choosing your legal structure

Structure	***Best for***	***Key consideration***
Private Limited Company	Long-term investors seeking for full local incorporation	✓ Its separate legal entity ✓ Limited liability ✓ Corporate tax of 30% ✓ Annual filing obligations, ✓ Shareholders minimum is 2 persons
Branch office	Foreign parent companies expanding regionally	✓ Not a separate entity ✓ Liability rests with the parent company ✓ Taxed at 37.5% corporate rate ✓ Simpler registration but limited local autonomy
Partnership/LLP	Professional services or smaller ventures	✓ Liability depends on type of business ✓ Taxed at individual rates ✓ Fewer compliance obligations ✓ Flexible capital requirements

Recommendation: A private Limited Company is most commonly recommended for foreign businesses making long-term investments, as it provides limited liability, full local recognition and access to tax incentives. The appropriate structure depends on investors circumstances.

2. Main business taxes

On commencement of operations, a company with employees in Kenya is generally required to register with the Kenya Revenue Authority (KRA) for the relevant tax obligations, the National Social Security Fund (NSSF) and the Social Health Authority (SHA). This enables the employer to account for and remit

[1] https://www.centralbank.go.ke/annual-gdp/

PAYE, NSSF contributions, Social Health Insurance Fund (SHIF) contributions and other applicable payroll deductions and levies.

a. Corporation tax

The standard corporate income tax rate is 30% for resident companies and 37.5% for non-resident companies, subject to applicable exemptions, incentives and special regimes.

b. VAT / indirect tax

Value Added Tax (VAT): The standard VAT rate is 16%. VAT returns and payments are generally due on or before the 20th day of the following month. VAT-registered taxpayers are required to comply with KRA's electronic Tax Invoice Management System (eTIMS) requirements. There is also reduced rate of 8% for petroleum products and registration required for turnover above Kshs. 5 million annually, including non-resident businesses supplying taxable services.

c. Employment costs

The main payroll obligations include:

- PAYE: Employers are required to deduct PAYE from employees' remuneration and remit the tax to KRA on or before the 9th day of the following month.
- Social Health Insurance Fund (SHIF): SHIF replaced the former National Hospital Insurance Fund (NHIF). Employers are required to deduct and remit employees' SHIF contributions to the Social Health Authority. For salaried employees, the contribution is generally 2.75% of gross salary or wages, subject to a minimum monthly contribution of KES 300. Contributions are due by the 9th day of the following month.
- National Social Security Fund (NSSF): Employers are required to register eligible employees and deduct and remit the applicable NSSF contributions. Contributions are due on or before the 9th day of the following month.
- Affordable Housing Levy (AHL): The employee and employer are each required to contribute 1.5% of the employee's gross monthly salary. The employer is responsible for deducting the employee contribution and remitting both the employee and employer contributions.
- A company may employ its own accounting and HR personnel or outsource these functions to professional accountancy, payroll or HR service providers.
- Compensation packages vary between employers and according to the terms agreed with individual employees. They may include basic salary, housing allowance, travel allowance, medical cover and other benefits.

3. Key tax incentives

Kenya's fiscal framework is designed to attract and retain international investments by offering targeted tax incentives that reduce operational costs and enhance competitiveness. These incentives are structured around priority sectors such as manufacturing, ICT, renewable energy, and export-oriented businesses. Through EPZs and SEZs, investors benefit from reduced corporate tax rates, exemption on VAT and customs duties, and relief on withholding taxes. Additional allowances, such as the investment deduction, further support capital intensive projects. These measures provide a commercially relevant environment that balances revenue generation with investor facilitation[2]. Positioning Kenya as a regional hub for sustainable growth. Key tax incentives include:

[2] https://www.investkenya.go.ke/incentives

a) Special Economic Zones (SEZs) – reduced corporate tax of 10% for first 10 years then 15% for next 10 years, VAT exemptions, custom duty relief.
b) Export Processing Zones (EPZs) – 10-year corporate tax holiday, exemption from withholding tax on dividends and duty-free import of raw materials.
c) Investment deduction allowance – up to 150% deduction on capital expenditure for manufacturing and infrastructure projects - Income Tax Act (Cap 470)[3]
d) Double taxation agreements (DTAs) – Kenya has treaties with multiple jurisdictions, reducing withholding tax rates and mitigating cross-border tax risks.

The above incentives provide clear advantage for investors. Tax holidays and reduced rates lower entry costs, while SEZ and EPZ regimes ensure preferential market access through AfCFTA and EAC integration.

4. Key decision factors

When evaluating Kenya as an investment destination, international businesses must weigh both opportunities and challenges across the economic, regulatory and operational dimensions. Kenya offers a large domestic market with preferential access to regional blocs, competitive tax regimes and good incentives for manufacturing and infrastructure. Similarly, investors should consider labour availability, compliance requirements, and potential risks resulting from currency volatility and infrastructure gaps. A balanced assessment of these factors will ensure that investment decisions are grounded on evidence and aligned with long-term strategic objectives. Key factors to consider include:

a) Market access – large domestic market and preferential access to EAC and AfCFTA
b) Tax efficiency – competitive SEZ and EPZ regimes, supported by DTAs
c) Incentives – strong capital allowances and sector specific tax holidays
d) Labour availability – young, skilled and tech-savvy workforce with moderate employment costs
e) Regulatory complexity – compliance obligations remain significant, requiring professional support
f) Risk – volatility of currency, regulatory changes and infrastructure bottlenecks in certain regions

Overall assessment

Kenya offers international investors a balanced mix of market scale, strategic location and competitive tax incentives. The Private Limited Company remains the most common entry structure, providing liability protection and access to SEZ/EPZ benefits. Incentives such as investment deductions and tax holidays enhance returns, while DTAs mitigate cross-border risks. Employment cost is moderate, supported by a young workforce, though compliance obligations require careful management. Overall, Kenya provides a credible, scalable environment for long-term investment. Professional tax and legal advice should be sought before final decisions.

[3] https://www.kra.go.ke/publications