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THE TAX PROCEDURES (UNASSEMBLED MOTOR VEHICLES, AND TRAILERS) (AMENDMENT) REGULATIONS 2024

On 6th February 2025, the Cabinet Secretary for National Treasury and Economic Planning has issued the Tax Procedures (Unassembled Motor vehicles, and trailers) (Amendment) Regulations, 2024.



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We analyze below the proposed amendments and the implications thereto:

Aspect	Existing Legislation: Tax Procedures (Unassembled Motor Vehicles and Trailers) Regulations, 2019	Proposed Amendments: Tax Procedures (Manufacture, Assembly of Motor Vehicles, Three-Wheelers, and Trailers) (Amendment) Regulations, 2024	Implication
Scope and Definitions	Focuses on unassembled motor vehicles and trailers. Definitions are limited to traditional internal combustion engine vehicles and their components.	Changes the title to include "Manufacture, Assembly of Motor Vehicles, Three-Wheelers, and Trailers." Introduces definitions for "three-wheelers," "battery system," "electric power system," and "electric vehicle."	Broadens the scope to include manufacture and assemble of three-wheelers, acknowledging the growing diversity in vehicle types and promoting local manufacturing. Further the definitions support the growth of electric and three-wheeled vehicles, aligning with global sustainability trends and fostering local industry and provides clarity and legal recognition for electric vehicles and their components, facilitating their regulation and compliance.
Assembly and Warehousing	Requires assembly and warehousing in bonded facilities. Limited provisions for electric vehicles and their components.	Removes the requirement for assembly and warehousing to be conducted in bonded facilities.	Provides more flexibility for manufacturers and assemblers, potentially reducing operational costs and simplifying logistics.
Local Manufacturing	Emphasis on using locally manufactured parts but without specific incentives for electric vehicles.	Defines "manufacturer" to include those using locally designed and developed parts, with local inputs constituting more than 50% of the vehicle's value.	Encourages local manufacturing and the use of local inputs, promoting industrial growth and reducing reliance on imports.

We analyze below the proposed amendments and the implications thereto:

Amendment	Existing Legislation: Tax Procedures (Unassembled Motor Vehicles and Trailers) Regulations, 2019	Proposed Amendments: Tax Procedures (Manufacture, Assembly of Motor Vehicles, Three-Wheelers, and Trailers) (Amendment) Regulations, 2024	Legal Implication
Duty-Free Imports for Electric Vehicles	Not specifically addressed.	Allows approved manufacturers to import parts duty-free for electric vehicles, which can be warehoused and used for assembly.	Reduces the cost of production for electric vehicles, encouraging their assembly and adoption in Kenya.
Specific Provisions for Electric Vehicles	Not specifically addressed.	Includes specific provisions for electric vehicles, such as the inclusion of electric motors and lithium-ion batteries in the definition of "engine."	Ensures that electric vehicles are adequately covered under the regulations, promoting their development and use.
Repeal of Regulation 12	Regulation 12 is in effect. 12. Transition “Despite the provisions of these Regulations in respect of levels 1 and 2, the timelines specified in the agreements between the Government and the assemblers entered into before the commencement of these Regulations shall continue to apply.”	Repeals Regulation 12.	Simplifies the regulatory framework by removing potentially outdated or redundant provisions.

We analyze below the proposed amendments and the implications thereto:

Amendment	Existing Legislation: Tax Procedures (Unassembled Motor Vehicles and Trailers) Regulations, 2019	Proposed Amendments: Tax Procedures (Manufacture, Assembly of Motor Vehicles, Three-Wheelers, and Trailers) (Amendment) Regulations, 2024	Legal Implication
Parts for Electric Motor Vehicles	Not specifically addressed.	Adds provisions for importing power electronics, lithium-ion batteries, motors, and power inverters for electric motor vehicles as supplied by the Original Equipment Manufacturer.	Facilitates the importation and use of essential components for electric vehicles, promoting their development and use.
Second Schedule Amendments	Existing provisions include "paint" in subparagraphs.	Deletes the word "paint" and adds "lithium-ion battery and electric motor" after "transmission" in item (d).	Updates the regulations to reflect the components of electric vehicles, ensuring they are adequately covered.
Localization and Technology Transfer	Not specifically addressed.	Authorized assemblers must work with local content suppliers, facilitate technology transfer, and ensure quality local production.	Encourages the use of local parts and components, promoting industrial growth and technology transfer.
Assembly Levels for Pick-Ups	Not specifically addressed.	Authorized assemblers using knock-down kits level 2 for pick-ups are allowed for a maximum of 2 years before moving to level 3.	This will ensure a gradual transition to higher levels of local assembly, promoting local manufacturing capabilities.

We analyze below the proposed amendments and the implications thereto:

Existing Legislation: Tax Procedures (Unassembled Motor Vehicles and Trailers) Regulations, 2019	Proposed Amendments: Tax Procedures (Manufacture, Assembly of Motor Vehicles, Three-Wheelers, and Trailers) (Amendment) Regulations, 2024	Legal Implication
References "First Schedule and Second Schedule."	Changes references to "First, Second, Fifth, and Sixth Schedules." Adds new items like radiator coolants and sound deadening material.	Expands the scope of parts and components covered under the regulations, ensuring comprehensive coverage.
Not in the current regulations	Addition of the Fifth Schedule which specifies provisions for completely knocked down kits under level 4 for passenger cars and commercial vehicles, including local manufacturing requirements for chassis frames and body panels.	Provides detailed guidelines for assembling different vehicle types, ensuring consistency and quality in manufacturing and also promotes local manufacturing of key vehicle components, reducing reliance on imports and boosting local industry.
Not in the current regulations	Addition of the sixth schedule which lists parts and sub-assemblies for completely knocked down kits for three-wheelers, including axles, suspensions, brake kits, and lithium-ion batteries for electric three-wheelers.	Provides detailed guidelines for the assembly of three-wheelers, including electric variants, ensuring compliance and standardization.

SUMMARY

The proposed amendments aim to modernize the regulatory framework, support the growth of the automotive sector in Kenya, and align with global sustainability goals. By promoting local manufacturing and simplifying processes, these changes are set to stimulate economic growth and innovation in the automotive industry and more importantly support the growth of electric mobility in Kenya.

LET'S TALK

For further information on how the proposed amendments will affect your business or assistance on any other matter kindly contact your regular Taxwise Africa analyst or the contacts below.



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