



**TARRA AGILITY
AFRICA.**

LEGAL • TAX • ACCOUNTING

A GUIDE TO THE CORPORATE TAX REBATE

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Firm Overview

Tarra Agility Africa is a boutique international tax, legal, and accounting advisory firm specializing in supporting investments in Africa. The firm assists both indigenous and foreign businesses with **funding, operations, and profit extraction through optimal business structures.**

Executive Summary

Summary Of Tax Incentives For Residential Developers And Home Buyers In Kenya

Incentive	Description	Source of Law
1. 15% Corporate Tax Rebate	Preferential corporate income tax rate of 15% (reduced from standard 30%) for companies constructing residential units.	Paragraph 2(i) (Head B of the Third Schedule) to the Income Tax Act (Cap 470) Laws of Kenya
2. Stamp Duty Exemption	Exemption from stamp duty for first-time home buyers purchasing a residential property under an affordable housing scheme.	Section 117(1)(a) of the Stamp Duty Act (Cap 480) Laws of Kenya
3. VAT Exemption	Exemption from Value Added Tax (VAT) on goods imported or purchased locally for the direct and exclusive use in constructing affordable housing units.	First Schedule, VAT Act (Cap 476) Laws of Kenya

15% CORPORATE TAX REBATE

Real Estate Developers in Kenya



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Legal Provision

Corporate Income Tax Rate Comparison

Standard vs. Preferential Corporate Tax Rate

30%
STANDARD RATE

15%
TAX REBATE



Paragraph 2(i) (Head B of the Third Schedule) to the Income Tax Act (Cap 470) Laws of Kenya

in the case of a company that constructed at least Four Hundred One Hundred affordable residential units ~~annually~~, fifteen per cent for that year of income, subject to approval by the Cabinet Secretary responsible for Housing:

Provided that where a company is engaged in multiple activities which include the ones specified in subparagraph (i), the rate of fifteen per cent shall be applied proportionately to the extent of the turnover arising from the housing activity.

Qualifying Developers



Applicant

The applicant ought to be a Limited Liability Company



Qualifying Units

Applies to all residential units, if the company is engaged in multiple activities the rate shall be applied proportionately to the extent of the turnover arising from the housing activity



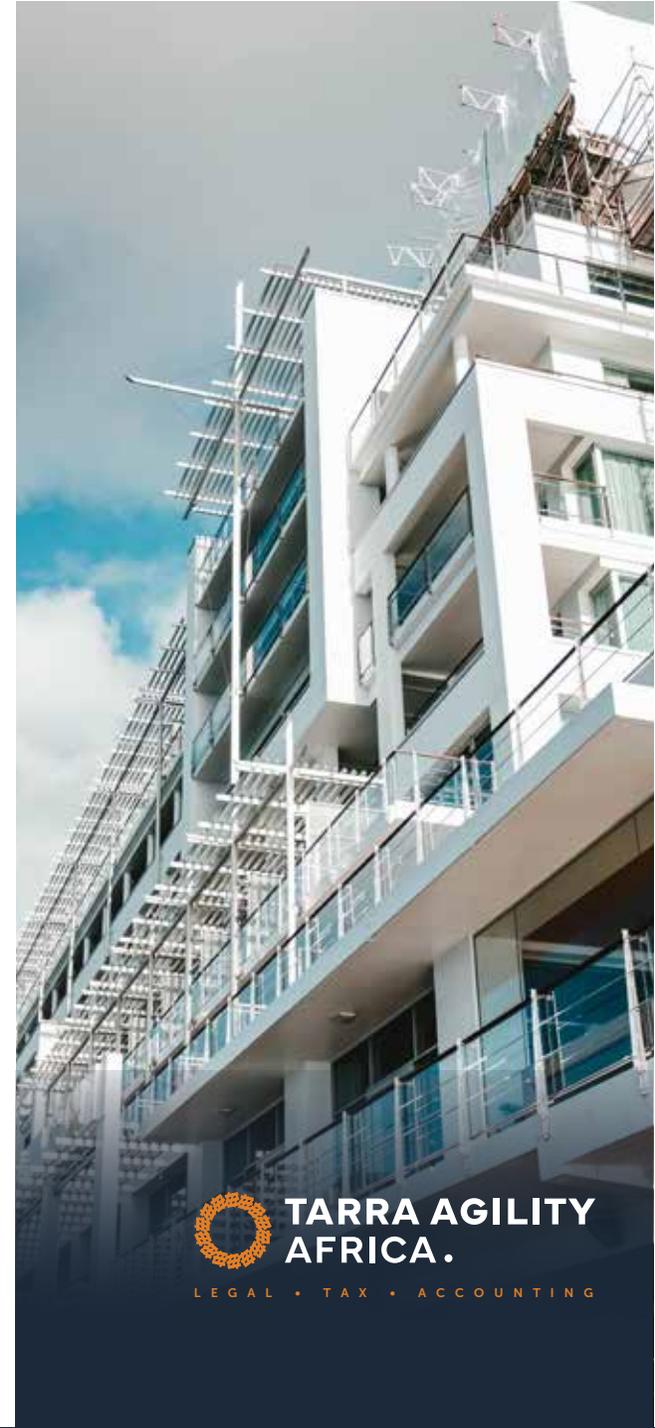
"Construction" Defined

The MOH and KRA understand construction to mean the issuance of certificate of occupation



Minimum Units

Construct at least 100 residential units annually



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Opportunities & Challenges



Opportunities

- The incentive applies to all residential developments - Not limited to affordable housing projects.
- One SPV can build the 100 Units on separate parcels of land.
- Mixed Use developments - the income arising out of the residential development would still qualify for the 15% rate.



Challenges

- An LLP developer will not qualify.
- Below 100 units phasing.



Application Process



Incentives specifically for affordable housing projects



VAT Exemptions

VAT Act, 2013 - VAT Exemption Provision:
1st Schedule, Paragraph 109

"Goods imported or purchased locally for the direct and exclusive use in the construction of houses under an affordable housing scheme approved by the Cabinet Secretary on the recommendation of the Cabinet Secretary responsible for matters relating to housing."



Stamp Duty Exemptions

Stamp Duty Act - Stamp Duty Exemption
Provision: Section 117(1)

"There shall be exempt from stamp duty under this Act the purchase of a house by a first time home owner under affordable housing scheme";

Team Composition & Expertise:



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