INVESTMENT INCENTIVES FOR THE MARITIME SECTOR IN KENYA

2026

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1. Introduction

1.1. Background

Kenya's maritime coverage includes approximately 370 km of ocean space from the shore into the sea with a Coastal length of 600 km. Further Kenya has approximately 10,700km of inland waters space which is navigable, making it a total of approximately 240,700 km 2 space of the Country's total area of 580,367 km2 (42%) which is also equivalent to the total land surface area of 31 out of the 47 Counties. The Kenyan coastline also lies along major maritime trading and tanker routes.

The Country is central to regional shipping and the Port of Mombasa being the largest and strategic gateway to the Eastern and Central Africa region serves a combined population of over three hundred (300) million. In addition, Kenya has two major seaports at Mombasa and Lamu, with one inland port in Kisumu. Approximately 90% of Kenya's International Trade is seaborne and amounts to a value of more than US$ 3 billion annually. This represents the potential of maritime transport in economic development, investment, wealth creation and employment.

The Kenyan maritime space provides huge untapped opportunities in both inland water ways and costal shipping. With the view to harness the untapped opportunities, Kenya provides an incentive regime to attract investors into the maritime industry market and to promote expansion of existing maritime industry businesses. The investment regime aims to create an enabling environment for both foreign and local businesses to operate profitably, mitigate risks and accelerate the country's economic growth.

1.2. Purpose

The aim is to provide information on the various maritime industry investment incentives and policies being implemented by the Government to attract new businesses and to promote the growth of the existing businesses. The incentives provided in the regime will be granted to the investors in the various maritime industry clusters to promote and facilitate the investors to set up and operate their business in the country.

1.3. Scope

The scope of the regime is to provide the various incentives provided by the government to attract local, regional and international investors to invest in the local maritime industry. The categories of incentives provided include fiscal and non-fiscal incentives, general and cluster based.

1.4. Policy and Legal framework

The incentive regime is anchored in the following policies and legal framework;

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1. The Maritime Investment Policy
2. The Green Fiscal incentives Policy framework
3. The Income Tax Act, (Cap. 470)
4. East African Community Customs Management Act, 2004
5. Bilateral and multilateral investment treaties
6. Value Added Tax Act, (Cap. 476)
7. Miscellaneous Fees and Levies Act (Cap. 469C)

1.5. Institutional framework

The incentive regime is anchored in the following institutional framework;

1. Kenya Maritime Authority is the government Agency in charge of maritime administration.
2. Kenya Ports Authority is the government agency in charge of port operations.
3. Kenya Shipyard Limited is the government agency in charge of ship construction, repair and maintenance.
4. Kenya Shipping Line is the government agency in charge of shipping services.
5. Kenya Coast Guard is the government agency in charge of maritime safety and security.
6. Bandari Maritime Academy
7. Kenya Revenue Authority is a government Agency in charge of implementation of fiscal incentives related to taxation.

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2. Existing Fiscal and Nonfiscal Incentives

2.1. Fiscal Incentives

2.1.1. Investment deduction

a) An investor who incurs capital expenditure on building and/or machinery used for manufacture is entitled to an investment allowance equal to 100% of the cost spread over a period of three year, with 50% in the first year of use and 25% in equal instalments for the following two years.

b) An investor who incurs capital expenditure on commercial building is entitled to 100%, Investment allowance at a rate of 10% per year in equal instalments.

c) An investor who incurs capital expenditure on petroleum or gas storage facilities is entitled to an investment deduction equal to 100% of the cost spread over a period of three years , with 50% in the first year of use and 25% in equal instalments for the following two years. However, for an investor whose investment is in excess of ten billion shillings, the investor will be allowed an investment allowance of 100% in the first year of use.

d) Capital expenditure on acquisition of ships enjoys 100% investment allowance with 50% in the first year of use and 25% in equal instalments for the following two years.

e) Maritime software enjoys 100% capital allowance at the rate of 25% per year in equal instalments.

f) An investor who incurs capital expenditure on machinery used to undertake operations under a prospective right or exploration operations is entitled to an investment allowance equal to 100% of the cost spread over a period of three years, with 50% in the first year of use and 25% in equal instalments for the following two years.

g) Capital expenditure incurred on any other machinery used in business enjoys 100% investment allowance at a rate of 10% per year in equal instalments.

2.1.2. Special Economic Zones

Investments under the SEZ enjoy the following incentives:

a) Capital expenditure on buildings and machinery for use in a Special Economic Zone shall be entitled to Investment allowance equal to 100% of the capital expenditure.

b) Exemption of Special Economic Zones from the export levy, Import Declaration Fee

c) Preferential tax rates:

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- 10% for the first 10 years and 15% for the next 10 years;
- Withholding tax rates on payments made to non-residents (royalties, interest, management fees) at 5%;
- Dividends paid to non-residents by the SEZ entity is exempt from tax.
- Gains on transfer of property within a SEZ by a licensed special economic zone developer, enterprise or operator is exempt from capital gains tax.
- Royalties, interest, management fees, professional fees, training fees, consultancy fee, agency or contractual fees paid by a SEZ developer, operator or enterprise, in the first ten years of its establishment, to a non-resident person

2.1.3. Export Processing Zones Incentives

Investments under the EPZ enjoy the following incentives:

a) EPZ enterprises which do not engage in any commercial activities a 10-year corporate income tax holiday and a further 25% for a further 10 years.
b) 10 year withholding tax holiday on dividends and other remittances to non-resident parties (except for EPZ commercial licence enterprises)
c) 100% investment deduction on new investment in EPZ buildings and machinery.
d) Exemption of Export Processing Zones from the export levy.

2.1.4. Incentives for Companies undertaking shipping Business

Reduced corporation income tax rate for company operating ship building business (ship construction, repair, maintenance) in Kenya enjoy 15% for the first 10 years from the year of commencement of its operations.

2.1.5. Avoidance of Double Taxation

Where there are negotiated Double Tax Agreement between Kenya and any other state, there are usually concessionary tax rates on various categories of streams of income.

2.1.6. Zero rating of VAT

Supplies to SEZ and EPZ are Zero rated.

Ship stores supplied to international sea on international voyage is zero rated.

2.1.7. Fees and Levies under the Miscellaneous Fees and Levies Act, 2004

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Exemption from IDF of ships weighing 250 tonnes or more.

2.1.8. Exemptions under East Africa Community Customs Management Act

No Import Duty on Ships and Other Vessels

Passenger and cargo vessels of all kinds of twenty-five net register tonnage or more, cable ships, floating factories, whale catching vessels, trawlers and other commercial fishing vessels (other than sport fishing vessels), weather ships, hopper barges; lighters, pontoons (being flat decked vessels used for the transportation of persons or goods) and ferry boats; parts and accessories, but not including batteries and sparking plugs.

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2.2. Non-Fiscal Incentives

2.2.1. Ship building

SEZ Act, 2015 provides for legislation on allocation of land and infrastructure for prospective investors in ship building entities in SEZ.

2.2.2. Maritime education and training

1. Provide the existing training institutions with modern facilities and facilitate review of the curriculum.
2. Student loan funding for certain specialized maritime education and training.
   a. Diploma in marine engineering and nautical science.
3. County Government and agencies offer sponsorship opportunities for student training in marine education and training.

2.2.3. Maritime Transport

1. Strengthened security in the inland waters and coastal waters.
2. Developed and revamped infrastructure in coastal and inland water transport to unlock their transportation potential (such as rehabilitated Kisumu and construction Lamu port; expansion of Mombasa port; relocation of Kipevu Oil terminal).

2.2.4. Green Energy

1. Designated and allocated land for establishment of energy related infrastructure under SEZ;
2. The port of Mombasa is currently implementing Green Port Policy.

2.2.5. Tourism

- A dedicated cruise ship terminal (Berth no. 1)

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3. Proposed Incentives - Cluster Based

3.1. Ship Ownership and Registration

3.1.1. Fiscal

1. Implement a competitive Registration fee for vessels
2. Introduce elective tonnage tax regime/scheme specific to ship registry. The ship owner/operator to be allowed to elect to be either under a tonnage tax regime or corporation tax regime.
3. Provide tax incentives for ships participating in green initiatives, with each qualifying ship eligible for a 30% tax reduction in the first year of adopting the innovation and up to 15% in each of the second and third years, in alignment with capital expenditure and carbon taxation policies.
4. Developing an income taxation regime for seafarers'/fishing vessel personnel, to align income with international best practices.

3.1.2. Non-Fiscal

The incentive scheme for the proposed Hybrid ship register (Open and Closed) informed by international best practices to

1. Preferential issuance of visas & work permits for the maritime sector personnel.
2. Proportional reservation of Kenyan registered vessels for import and export of cargo (for a certain period)
3. Preferential treatment for vessels calling on Kenyan ports
4. For imported ships under Kenyan registry to enjoy certain waivers provided they employ at least 75% Kenyans

3.2. Maritime Transport

3.2.1. Fiscal

1. Reduction of port of Lamu tariffs by (20-30%); to open up the LAPSSET corridor for maritime transport to South Sudan and Ethiopia.

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3.2.2. Non-Fiscal

1. Facilitate seamless and multimodal movement of cargo between Kenya, Somalia and Tanzania (port infrastructure, dedicated zone and port, procedures (preferential).
2. Utilization of innovations from the Maritime education and technology centres;
3. Provide one-stop-shop for investors; On board maritime investment facilitation to investment single window
4. Business reengineering on transhipment documentation, processes and procedures;
5. Establish a framework for ensuring standard application of destination tariffs
6. Provide and requisite infrastructure to promote the use of cold ironing to promote green energy at Kenyan Ports;
7. Provide preferential berthing for green shipping compliance
8. Expand and facilitate port infrastructure along the Kenya coastline;
9. Set up bonded distribution parks for value addition services for cargo sorting, repackaging, labelling, sampling, assembling, inspecting and valuation of a typical transhipment hub;

3.3. Maritime Safety and Security

3.3.1. Fiscal

Provide tax exemptions for local manufacturers of marine equipment.

3.3.2. Nonfiscal

Sharing appropriate safety and security information and signals

Acquisition of safety and security equipment and aids to navigation

3.4. Ship / Boat Building, Repair, Maintenance and Recycling

3.4.1. Fiscal

1. Exempt from VAT, import duty, IDF and RDF taxes on inputs, and equipment/machinery used in ship / Boat construction, repair, maintenance and recycling

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2. Consider export financial credits – provide financial lending to aid in ship building for exports;
3. Gazettement of ship/ boat construction, repairs, recycling and maintenance yards as SEZ;
4. Establish a Maritime Cluster fund for coastal and inland waters;

3.4.2. Non-Fiscal

1. Fast track the development of a master plan on ship/ boat building, repair, maintenance and recycling including provision of land and incentives for a competitive local industry;
2. Entities involved in ship/ boat building, repairs, recycling to benefit from the maritime cluster fund;
3. Government preference for ships/boat built and registered in Kenyan Registry
4. Promote use of locally manufactured steel for ship building. Investment deduction of 100% on cost of machinery from taxable income. Investment exceeding 200million outside Nairobi enjoys 150% investment deduction.5-17.5% import levy on steel.
5. Kenya industrial estates and Kenya development corporations offer development funding in terms of specialised loans.

3.5. Maritime Education, Training and Certification

3.5.1. Fiscal

1. Exempt from VAT, import duty and relevant taxes on specialised maritime training aids and equipment for training institutions;

3.5.2. Non-Fiscal

1. Facilitate licensing and work permits to expatriates offering specialized technical skills and technology transfer in maritime education and training;
2. Reward scheme to promote innovation hubs in maritime education and training
3. Accessible databases of human resources and skills in the maritime sector
4. Promote partnership between public and private institutions to provide ring-fenced maritime education loans and grants.

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5. Develop a differentiated capitation framework for the trainees within the maritime sector in Kenya (to be considered in the policy under enabling environment) Benchmark with medical. Currently not benefitting from Helb, need to align retain as incentive and policy.
6. Provision of financial resources for Human resource capacity development within the maritime sector in Kenya

3.6. Maritime Allied Sectors - Fisheries, Extractives, Tourism and Recreation

3.6.1. Fiscal

1. Provide for exemption of VAT, IDF and RDL for raw materials and services for locally assembled/constructed fishing gears;
2. Provide for exemption of VAT, IDF and RDL for industrial and semi-industrial fishing vessels (purse seiners, long liners and trawlers) during importation of such vessels for registration and flagging in Kenya. This exemption includes fishing vessels manufactured under bond or in SEZs, and which are intended to be imported into Kenya;

   Provision of preferential port charges for Kenya flagged fishing vessels;(*align with maritime transport)*
3. Designated SEZ status to fish processing plants in the coastal and inland water bodies to enhance value addition;
4. Expanded the tourism fund to support maritime tourism, recreation and sport fishing.
5. Expanded modern fish markets, fish storage and fish processing in designated zones

3.6.2. Non-Fiscal

1. Capacity building of Kenyans in deep-sea fishing;
2. Establish efficient distribution systems and expand market access to regional and international markets;
3. Enhance fish port and landing sites infrastructure along the coastline and inland waters.
4. Construct modern fish markets, auction centers and satellite markets to promote fish trade and consumption;
5. Establish cold storage facilities along the coastline and inland waters;

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6. Establishment and management of marinas as a tourism product and an investment to enhance local communities' participation in tourism (benchmark with aquaculture, business development programme)
7. Rights to prospective investors for extractive activities within the maritime sector.
8. Financial and technical support to community-based organizations to invest in conservation and tourism.
9. Tax incentives for investments in extractive activities within the maritime sub-sector .
10. Fishing rights and fishing quotas for artisanal, semi-industrial and industrial fishes

3.7. Logistics And Cabotage Businesses

3.7.1. Fiscal

1. Competitive tariffs governing cabotage operations.
2. Designate container freight stations as SEZ for businesses engaged in light manufacturing and value addition

3.7.2. Non-Fiscal

1. National and regional laws to support cabotage regime
2. Port infrastructure to support cabotage

3.8. Ship Bunkering and Ship Chandelling

3.8.1. Fiscal

1. SEZ designated for ship bunkering
2. Designated SEZ status for Ship chandelling
3. Preferential port tariffs for ship chandelling
4. Preferential port charges for vessels calling to ports for bunkering services and ship chandelling;
5. Provide for exemption of excise duty, VAT, IDF and RDL of fuels supplied to Kenyan flagged industrial and semi-industrial fishing and Merchant vessels.

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3.8.2. Non-Fiscal

1. Designated Storage infrastructure for bunkering.
2. Integrated system to ease management of bunker fuels;
3. Designated offshore single buoy mooring facility
4. Operationalize offshore ship-to-ship loading/bunkering and back loading
5. Adoption of international quality standards
6. Partnerships between ship chandlers, farmers, fisheries, and exporters
7. Digitized issuance of permits, customs documentation and port access

3.9. Container Repair and Cleaning

3.9.1. Fiscal

1. Exempt from VAT, import declaration fee (IDF) and railways development levy on raw materials and equipment/machinery used in container construction, repair, maintenance and cleaning.
2. Set up container construction, repair, maintenance and cleaning under SEZ;
3. Establish standards for construction, repair maintenance and cleaning of containers

3.10. Maritime Research and Technology

3.10.1. Fiscal

1. Designated SEZ for maritime innovation and technology hub;
2. Maritime Cluster Fund to support maritime innovation, research and technology hub.
3. Tax waiver on equipment and materials for maritime research and innovation activities
4. Preferential tax regime that allows businesses to apply a lower tax rate `to the income earned from commercialization of Intellectual property rights (IPRs)

3.10.2. Non-Fiscal

1) Designated industrial parks for maritime research and innovation.
2) Facilitated of skilled manpower and technology transfer initiatives and exchange programs

3. Commercialize maritime research, innovations and technologies.

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3.11. Marine Insurance

3.11.1. Fiscal

• Offshoring Disincentives: Heavy withholding taxes on foreign reinsurance premiums heavily favour partnerships with locally established marine underwriters.

• Mandatory Local Underwriting: Section 16A of the Insurance Act mandates that all marine cargo insurance for Kenyan imports must be placed with locally registered insurers.

• Captive Premium Market: This legal barrier successfully redirects an estimated KES 8 billion to KES 15 billion annually from overseas underwriters into the local Kenyan ecosystem.

• Enforced Customs Blockade: The Kenya Revenue Authority (KRA) completely bars cargo clearance unless a digital Marine Cargo Insurance (MCI) certificate from a local firm is logged in the ICMS customs system.

3.11.2. Non-Fiscal

1. Enhance access on maritime industry information and marine insurance
2. Enforce the provisions of Law on marine insurance for local importers.
3. sharing of information on Registration and licensing of vessels to facilitate marine insurance.
4. Capacity development on marine insurance
5. Harmonization of laws governing marine insurance
6. Operationalize/enforcement placement of marine cargo insurance with local insurers.
7. Strengthen compliance for submission through a single window platform of genuine, fraud proof and verifiable local (Kenyan)marine cargo insurance certificate.

3.12. Green Energy

3.12.1. Fiscal

1. Tax exemption on adoption of green energy technologies within the maritime industry
2. Capital allowance for machinery used in the production of green energy
3. Green energy funding/ climate finance

3.12.2. Non-Fiscal

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1. Seamless connectivity of green energy power to maritime transport services, including port operations and railway transportation.

2.Designated land and requisite infrastructure

3.13. Gas and Oil Exploration/Utilization

3.13.1. Fiscal

1. Designated oil and gas exploration and production blocks as SEZ

3.13.2. Non-Fiscal

1. Centralized information system on Allocation of maritime oil and gas blocks to potential investors for exploration and production
2. Protection for negotiated exclusive rights to allocated oil and gas blocks to potential investors

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