TECHNICAL BRIEF

East Africa Finance Acts 2023/4

KENYA, TANZANIA, UGANDA

AFRICA
E-MOBILITY
ALLIANCE

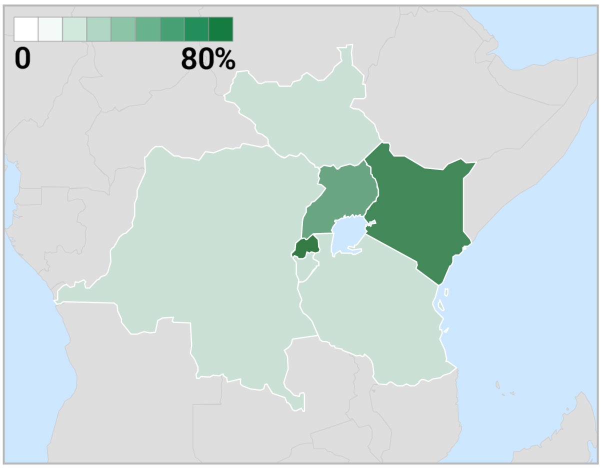
Technical Brief

EAC 2023/4 Finance Acts and E-Mobility

Summary

Within the seven nations of the East African Community (EAC), Rwanda set an early lead with a wide set of policies to support the transition to e-mobility in April 2022.

With new Finance Acts for 2023/4, the policy landscape in Kenya, Tanzania and Uganda is shifting to support e-mobility. These changes will directly impact at least 75 companies involved with import, assembly or manufacturing of electric vehicles in these three countries.



EAC E-Mobility Policy Support
AfEMA research supported by UNEP

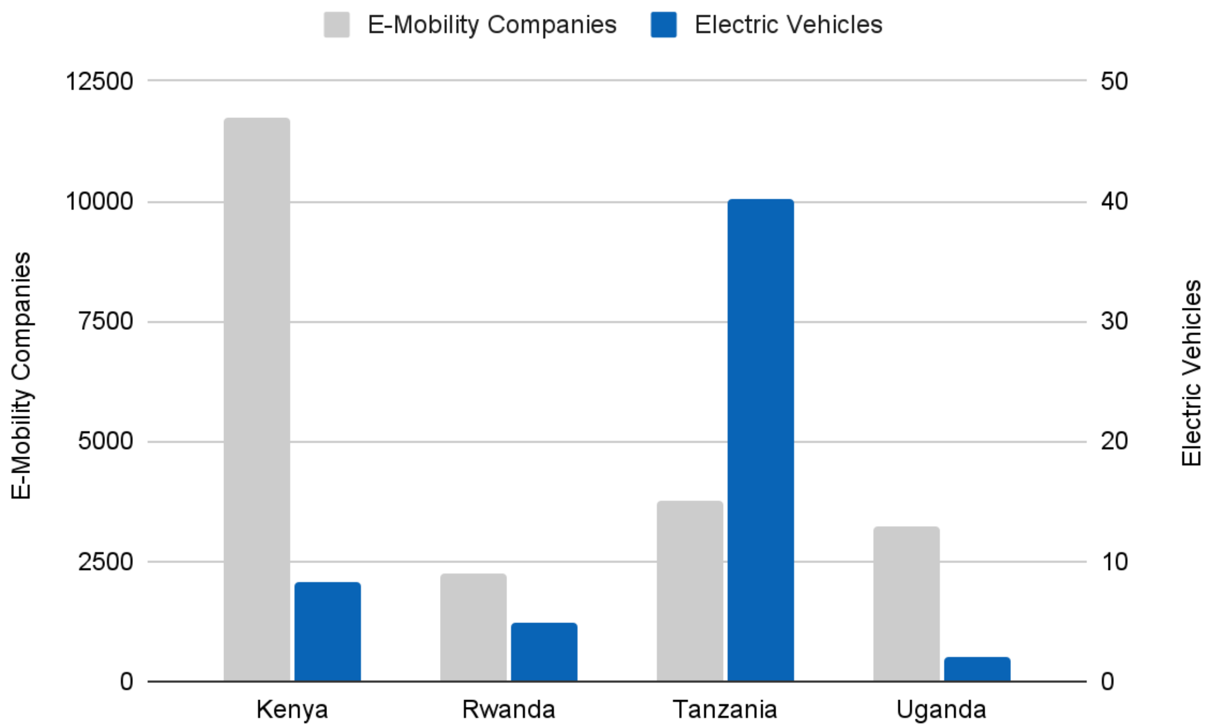
We unpack the recent policy changes, and highlight the benefits, gaps, and key areas for future improvements:

- Tanzania introduced its first set of tax incentives by exempting electric four wheelers (E4W) and e-buses from excise duty, which can range from 0% to 44%.
- Uganda introduced direct EV incentives for the first time and offered import duty exemptions for e-motorcycles, E4W, and hybrid cars.
- Kenya introduced VAT zero-rating for e-motorcycles, e-buses, e-bicycles, and lithium-ion batteries, and exemptions from excise duties for e-motorcycles.

Context

Africa is poised to embrace the benefits of electric mobility. Fifteen out of twenty-one countries surveyed have already enacted policies to encourage electric mobility adoption.[2] These policies encompass financial incentives, safety regulations, and strategic frameworks.

In 2021, Rwanda rolled out the most comprehensive e-mobility policy in the region so far, waiving import tariffs, VAT and withholding taxes on EVs, spare parts, batteries and charging station equipment.[3] Rwanda also introduced non-fiscal incentives, such as providing government-owned land for free to locate charging stations. Kenya also made some initial steps to encourage EV adoption, lowering excise duties for electric vehicles from 20% to 10%.[4]



number of EVs and EM companies in East African countries

Analysis

Kenya, Tanzania, and Uganda have now introduced new policies with an impact on e-mobility for the 2023/24 fiscal year. These policies offer different incentives, highlighting a variety of priorities and strategies to promote electric mobility within their respective markets.

Kenya has introduced a reduced EV charging electricity tariff, and is exempting e-motorcycles, e-buses and e-bicycles from VAT.[5] E-motorcycles have also been exempted from excise duty, while imported E4W and e-buses see their excise duty rates drop from 20% to 10% as the rate for ICE vehicles jumped to 35% from 25%.[6]

Tanzania is focusing on excise duty exemptions targeting E4W and e-buses. Tanzania's tax incentives exclude E2Ws despite their popularity with an estimated 10,000 units in use, while E4Ws are rare, and e-buses don't have a presence yet.

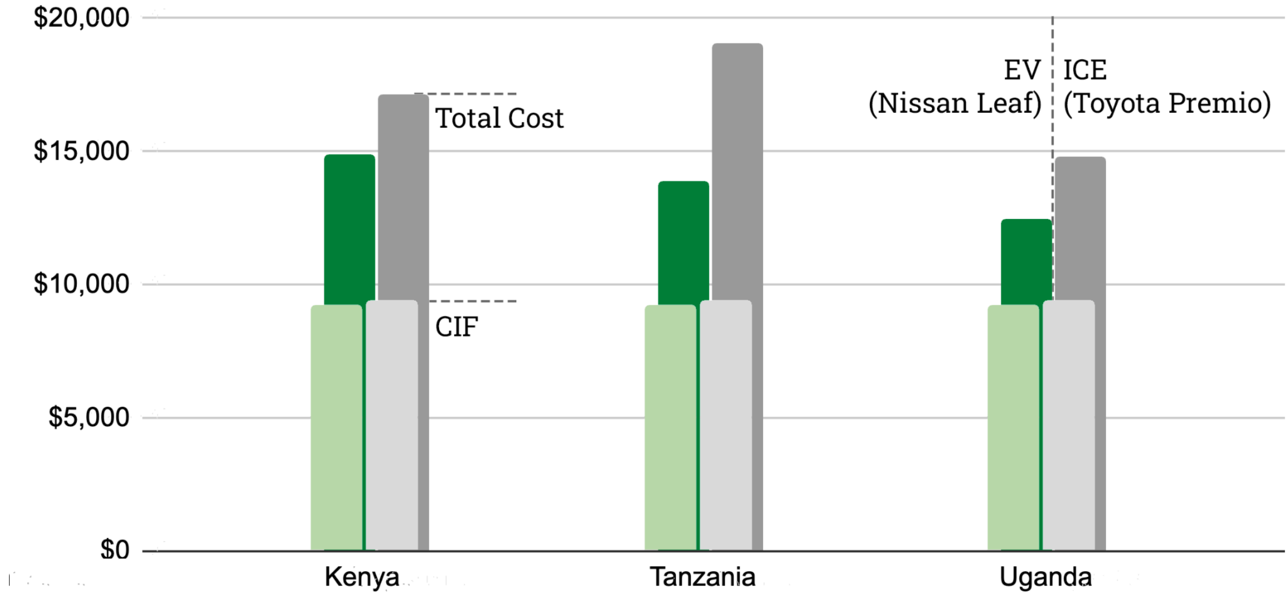
Uganda is offering import duty exemptions for e-motorcycles, E4W, and hybrid cars.[7] Uganda didn't include an e-bus incentive despite being the only country in the region with an e-bus manufacturing plant, and producing two buses (currently in testing).[8]

	E-bicycles	E-motorcycles	E4W	E-buses
Kenya	VAT zero-rated (16% > 0%)	VAT zero-rated (16% > 0%) excise duty exempted ($100 > 0)	since 2019 Finance Act excise duty reduced (20% > 10%)	VAT zero-rated (16% > 0%) excise duty reduced (20% > 10%)
Tanzania	-	-	excise duty exempted (5-44% > 0%)	excise duty exempted (5-44% > 0%)
Uganda	-	import duty (10-25% > 0%)	import duty (25% > 0%)	-

EV taxes before and after 2023/24 Finance Acts

Where Is The Greatest Impact?

To assess the effects of the suggested tax incentives in each nation on 4Ws, we compared two similar ICE and EV vehicles manufactured in 2013 – a Toyota Premio and Nissan Leaf. These were used to calculate the overall buying costs within each country, assuming the same cost, insurance, and freight (CIF) price.



purchase prices of comparable EV and ICE vehicle models

Tax policies clearly advantage electric passenger cars in all three markets, with the largest difference of nearly $5,000 in Tanzania.

Remaining Gaps

While these tax exemptions are a strong step in the right direction to support the fledgling electric vehicle industry, several critical gaps remain.

Short incentive lifespans

These incentives have been passed in annual finance bills, which means they will be up for renewal every year. Without stability in regulations and tax rates, it is difficult for e-mobility companies to plan long-term.

Lack of clarity on spare parts

Uganda, Kenya, and Tanzania have not clarified whether EV spare parts would be eligible for these benefits. This could unnecessarily raise the cost of maintenance. In addition, there are companies which are retrofitting vehicles or using more locally sourced parts and are importing parts recognized by customs as 'spare parts' making them ineligible for benefits provided to those importing CKD or CBU vehicles.

Lack of Harmonised System (HS) Codes

Vehicle segments such as e-bicycles and e-tuktuks are not clearly covered in the codes which govern custom tariffs. E-bicycles are unpredictably classed as either bicycles or motorcycles. Tuktuks are also inconsistently labelled. In Tanzania the Land Transport Regulatory Authority (LATRA) classes them as 'tricycles' while the Tanzania Revenue Authority (TRA) considers them 'vehicles'.[9]

Recommendations

East African countries are clearly taking steps to encourage the adoption of electric vehicles. Both fiscal and non-fiscal incentives are needed for end consumers to increase demand by levelling the playing field with ICE counterparts.

If governments clearly communicate a long-term commitment to these policies, ensure spare parts are included, and harmonise HS codes, East Africa will remain at the forefront of Africa's EV transition.

Extend Policy Horizons

In order to avoid the annual uncertainty of whether these taxes will be extended, governments should make clear policy statements on the duration of these incentives. This would help e-mobility companies plan for the coming years, and assure financiers and investors that it is not only a passing trend.

Include Spare Parts to Support Local Industry

Governments should include EV spare parts in the Finance Acts and the EAC tariffs, in order to make repairs, local assembly and manufacturing more affordable. This will help keep operating expenditures low for customers and boost local value addition, which can have significant economic and employment benefits.

Make Inclusive HS Codes

National governments and the EAC should harmonise the HS code for e-bicycles. E-bicycles are easy to adopt EVs but they are forgotten at policy level. Their HS codes are also poorly defined on the EAC external tariffs compared to other vehicle segments.

Endnotes and References

1. Kenya E-Mobility Tariff Brief, *Africa E-Mobility Alliance*. aemda.org/wp-content/uploads/2023/05/Kenya-EM-Tech-Brief.pdf

2. AfEMA 2023 African Countries EV Survey, *Africa E-Mobility Alliance*.

3. Strategic Paper for E-Mobility Adoption in Rwanda, *Republic of Rwanda Ministry of Infrastructure*. mininfra.gov.rw/fileadmin/user_upload/Mininfra/Publications/Laws_Orders_and_Instructions/Transport/16062021_Strategic_Paper_for_e-mobility_adaptation_in_Rwanda-Final.pdf

4. Electric Mobility Study, *Republic of Kenya Ministry of Transport*. web.archive.org/web/20220209110825/https://www.transport.go.ke/department/images/climate/Electric_Vehicle_Importation_and_Taxation.pdf

5. Key Highlights of the Finance Act 2023, *Kenya Revenue Authority*. kra.go.ke/popular-links/key-highlights-of-the-finance-act-2023

6. Key Highlights of the Finance Act 2023, *Kenya Revenue Authority*. kra.go.ke/popular-links/key-highlights-of-the-finance-act-2023

7. Tax Amendments Booklet 2023-24, *Uganda Revenue Authority*. ura.go.ug/resources/webuploads/INLB/Tax%20Amendments%202023-24%20Booklet.pdf

8. Kiira Motors to Deliver Only 10 Buses in 2021, *Uganda Radio Network*. ugandaradionetwork.net/story/kiira-motors-to-deliver-only-10-buses-in-2021

9. Interviews with e-mobility companies in Tanzania in 2022

Image Credits

Image of Kenyan minister by Jackson Okoth
kenyanwallstreet.com/winners-losers-in-kenyas-2023-budget

Image of Ugandan minister by Elias Biryabarema
reuters.com/article/us-uganda-budget-idUSKBN23I230

Image of Tanzanian minister by Edwin Mjwahuzi
thecitizen.co.tz/tanzania/news/national/tanzania-tables-sh44-39-trillion-budget-for-2023-24-4271706