AAK | PROMOTING EXCELLENCE IN THE BUILT ENVIRONMENT

Architects
Engineers
Interior Designers
Quantity Surveyors
Town Planners Chapter
Landscape Architects
Construction Project Managers
Environmental Design Consultants

AAK/RNA/NA/FINANCE/026 **25th May 2026**

The Clerk of the National Assembly,
Parliament Buildings,
P.O. Box 41842 – 00100 Nairobi, Kenya,

Attn: Departmental Committee on Finance and National Planning

RE: ARCHITECTURAL ASSOCIATION OF KENYA MEMORANDUM ON THE FINANCE BILL, 2026

The Architectural Association of Kenya (AAK) appreciates the opportunity to submit its comments on the Finance Bill, 2026.

AAK is the umbrella professional body for the built and natural environment professionals in Kenya, representing architects, planners, quantity surveyors, engineers, interior designers, construction project managers, landscape architects and environmental design professionals. In this regard, the Association has a vested interest in legislative and fiscal policies that influence not only the built environment sector, but also the broader socio-economic landscape within which development occurs.

Our submission adopts a comprehensive and inclusive approach, addressing both sector-specific concerns and cross-cutting issues affecting the general public, businesses, and the economy at large. In particular, the memorandum highlights the potential implications of the Bill on the cost of living, cost of construction, housing affordability, investment climate, and sustainable development.

From a professional and technical standpoint, AAK has provided expert commentary on provisions that directly impact the built environment, including taxation on construction inputs, housing-related measures, infrastructure financing, and incentives for sustainable and climate-responsive development.

AAK remains committed to supporting the Government in developing a fiscal framework that promotes economic growth, enhances equity, and advances sustainable urban development. We trust that our submissions will be considered in the ongoing review of the Bill, and we welcome any opportunity for further engagement.

Please find attached our detailed memorandum for your consideration.

Yours sincerely,

GEORGE A. NDEGE
PRESIDENT, ARCHITECTURAL ASSOCIATION OF KENYA

SUMMARY OF AAK'S SUBMISSIONS ON THE FINANCE BILL 2026

S/No.	CLAUSE OF THE BILL	COMMENT	RATIONALE
1	Clause 3: Amendment to VAT Act	The proposed expansion of VAT to previously exempt goods and services should be reconsidered, particularly for essential commodities	Expanding VAT on essential goods increases the cost of living and disproportionately affects low- and middle-income households
2	Clause 4: VAT on Construction Materials	The imposition and/or increase of VAT on construction materials such as cement, steel, and finishes should be reviewed	Increased input costs will raise construction costs, ultimately affecting housing affordability and infrastructure delivery
3	Clause 5: Removal of VAT Exemptions	The removal of VAT exemptions should be applied selectively, especially for sectors such as housing and infrastructure	VAT exemptions serve as policy incentives and their removal may discourage investment in priority sectors
4	Clause 6: Expansion of Tax Base	While broadening the tax base is necessary, care should be taken to avoid overburdening SMEs and emerging sectors	Excessive taxation can suppress entrepreneurship and slow economic growth
5	Clause 7: Excise Duty Adjustments	Proposed increases in excise duty should be moderated, particularly on essential goods and services	Higher excise duties contribute to inflation and increase the overall cost of living
6	Clause 8: Fuel Levy Adjustments	Any increase in fuel levies should be carefully calibrated	Fuel costs have a cascading effect on transport, construction, and production costs across all sectors

7	Clause 10: Introduction of New Levies	New levies should be accompanied by clear justification and earmarking of funds	Uncoordinated levies increase the overall tax burden and reduce transparency in public finance
8	Clause 12: Affordable Housing Levy	The framework for the housing levy should ensure transparency, accountability, and direct linkage to housing delivery	Public confidence depends on clear governance and visible impact of collected funds
9	Clause 14: Corporate Tax Adjustments	Corporate tax rates should remain competitive to attract and retain investment	High tax rates discourage private sector investment, including in real estate and infrastructure
10	Clause 16: Tax Incentives	The Bill should introduce targeted incentives for green buildings, affordable housing, and urban regeneration	Incentives can drive sustainable development and align with climate and housing goals
11	Clause 18: Withholding Tax	Adjustments to withholding tax should consider cash flow constraints for businesses	High withholding taxes reduce liquidity, especially for SMEs and contractors
12	Clause 20: Capital Gains Tax	Changes to capital gains tax should avoid discouraging property investment	The real estate sector is a key contributor to economic growth and urban development
13	Clause 22: Import Duties	Import duties on construction inputs not locally available should be minimized	Higher duties increase project costs and may delay infrastructure development
14	Clause 25: Tax Compliance Measures	Enhanced tax compliance requirements should be simplified and digitized	Complex systems increase administrative burden and discourage compliance

15	Clause 28: Digital Tax Systems	The transition to digital tax systems is commendable and should be accelerated	Digitization enhances efficiency, transparency, and ease of doing business
16	Clause 30: Penalties and Interest	Penalties should be proportionate and allow for voluntary compliance mechanisms	Excessive penalties may discourage formalization and increase tax evasion
17	Clause 33: Informal Sector Taxation	Taxation of the informal sector should be gradual and supportive	Overburdening informal businesses risks undermining livelihoods
18	Clause 35: Public Finance Allocation	Greater allocation should be directed toward infrastructure and urban development	Infrastructure investment drives economic growth and improves quality of life
19	Clause 38: County Revenue Measures	There is need for harmonization between national and county tax regimes	Multiple and overlapping taxes increase the cost of doing business
20	Clause 40: Cost of Living Measures	The Bill should include measures to cushion vulnerable populations	Fiscal policy should mitigate inflationary pressures on essential goods
21	Clause 42: Climate and Environmental Taxation	The Bill should introduce incentives for sustainable construction and green technologies	Climate-responsive development reduces long-term environmental and economic risks
22	Clause 45: Infrastructure Financing	The Bill should encourage alternative financing mechanisms such as PPPs	Sustainable infrastructure financing is critical for long-term development
23	Clause 48: Housing and Urban Development	Fiscal measures should support integrated urban planning and serviced land provision	Housing challenges are linked to planning, infrastructure, and land availability

24	Clause 50: Revenue Projections	Revenue targets should be realistic and aligned with economic conditions	Overly ambitious targets may lead to over-taxation and economic slowdown
25	Clause 55: Equity in Taxation	The tax system should be progressive and equitable	Fair taxation promotes compliance and social stability
26	Clause 58: Business Environment	The cumulative impact of taxes and levies should be assessed holistically	A high tax burden reduces Kenya's competitiveness as an investment destination
27	Clause 60: Construction Sector Impact	The Bill should explicitly assess impacts on the construction sector	The sector is a major employer and economic driver requiring supportive policies
28	Clause 62: Urban Resilience	Fiscal measures should support resilient urban planning and disaster mitigation	Poorly planned urban areas are more vulnerable to climate risks such as flooding
29	Clause 65: SME Support	Tax reliefs and incentives for SMEs should be strengthened	SMEs are key drivers of employment and economic inclusivity
30	Clause 70: Transparency and Accountability	Mechanisms for accountability in the use of public funds should be strengthened	Public trust depends on transparency and responsible use of tax revenue