



PRESS RELEASE

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Implications of the Proposed Removal of VAT Exemptions on the Aviation Sector in the Finance Bill 2024

The Kenya Association of Air Operators (KAAO) expresses deep concern regarding the Finance Bill 2024, which proposes to eliminate VAT exemptions previously granted to the aviation sector. These exemptions have been instrumental in stimulating growth and investment within the industry. The proposed deletion of these VAT exemptions threatens to undermine the substantial progress achieved in recent years, posing a significant risk to the sector's sustainability and its contribution to Kenya's economic growth. The specific exemptions targeted for removal include:

- **8802.30.00:** Aeroplanes and other Aircraft on unladen weight exceeding 2,000 kgs but not exceeding 15,000kgs
- **8802.60.00:** Spacecraft (including satellites) and suborbital and spacecraft launch vehicles
- Hiring, leasing, and chartering aircraft, excluding helicopters of tariff numbers 8802.11.00 and 8802.12.00.
- Direction-finding compasses, instruments, and appliances for aircraft.

Firstly, the revocation of aircraft VAT exemptions will precipitate a significant surge in acquisition costs for airlines and operators. This, in turn, will trigger escalations in air travel and charter services, cargo services, aerial services, unmanned aircraft vehicle (UAV) services, balloon operations, aircraft repair and maintenance and training prices, thereby impeding the sector's growth trajectory in maintaining and developing Kenya's air transport system. Secondly, the proposed abolition of VAT exemptions on hiring, leasing, and chartering aircraft poses a significant risk of escalating operational costs. Such a scenario could result in diminished accessibility and affordability of these vital services, impacting sectors reliant on aviation, including tourism, trade, and emergency response.

Additionally, the removal of exemptions for spacecraft and launch vehicles threatens to stifle investment in space-related endeavours, curtailing opportunities for innovation and collaboration in this burgeoning frontier.

In essence, the potential removal of these VAT exemptions will have a direct impact on our regional competitiveness and impact the advancement of Kenya's aviation sector. Policymakers must recognize the multifaceted implications of such actions and prioritize strategies to safeguard these critical exemptions in line with both the International Civil Aviation Organization (ICAO) recommendations and the East Africa Common External Tariff on zero-rated taxes on aviation. Preserving these measures is imperative not only for sustaining industry growth and encouraging investment but also for upholding Kenya's position as a regional aviation hub and ensuring continued economic prosperity.

In response to these pressing concerns, we urgently appeal to the Government and policymakers to reconsider the proposed removal of VAT exemptions in the Finance Bill 2024. Preserving these exemptions is indispensable for sustaining growth, ensuring sector competitiveness, and safeguarding the aviation industry's vital role in Kenya's economy.

Kenya Association of Air Operators

The Kenya Association of Air Operators is the registered National Umbrella Body mandated to provide an authoritative and unified voice of advocacy for the Kenyan Aviation Industry.

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