

**DOMESTIC TAXES DEPARTMENT
TPS**

RE: INVESTMENT ALLOWANCE ON CAPITAL EXPENDITURE
REVIEWED NOVEMBER 2024

What tax incentives do Investors get on capital expenditure incurred in their businesses?

Where an investor incurs capital expenditure in furtherance of their business, the capital expenditure incurred or investment allowance is deductible in computing the taxable profits as tabulated below;

No.	Item	Rate of Investment Allowance
1.	Buildings	
	Hotel building, building used for manufacture, Hospital buildings and Petroleum or gas storage facilities	50% in the first year of usage and 25% per annum on the residual value in equal installments.
	Educational buildings including student hostels, Commercial building, Industrial building and dock	10% annually in equal installments.
2.	Machinery	
	Machinery used for manufacture, hospital equipment and Ships or aircrafts, machinery used to undertake operations under a prospecting right and machinery used to undertake exploration operations	50% in the first year of usage and 25% per annum on the residual value in equal installments.
	Motor vehicles and heavy earth moving equipment, Computer and peripheral computer hardware and software, calculators, copiers and duplicating machines, filming equipment by a local film producer licensed by the Cabinet Secretary responsible for filming	25% annually in equal installments.
	Furniture and fittings, telecommunications equipment and other machinery	10% annually in equal installments.
	Purchase or an acquisition of an indefeasible right to use fibre optic cable by a telecommunication operator	10% annually in equal installments



3	Farmworks	50% in the first year of usage and 25% per annum on the residual value in equal installments.
4.	Cumulative Investment (<i>Hotel Building, Building used for manufacture, machinery used for manufacture</i>)	100% capital deduction applies where the cumulative investment value in the preceding three years outside Nairobi City County and Mombasa County is at least two billion shillings provided that; <ul style="list-style-type: none">• A business whose cumulative investment value is at least two billion shillings in the three proceeding years before 25th April 2020 will continue applying 150% capital deduction.• Where the cumulative investment value for the preceding four years from 1st July 2022 or the cumulative investment for the succeeding three years shall be 150% for areas outside Nairobi City County or Mombasa County
5	Investment of Kshs. 250M or more or SEZ (<i>Hotel Building, Building used for manufacture, machinery used for manufacture</i>)	100% capital deduction applies where the investment value outside Nairobi City County and Mombasa County in that year of income is at least two hundred and fifty million shillings; or the person has incurred investment in a special economic zone.