Finance Bill, 2025

Impact on Housing, Real Estate and Construction

Kenya's Finance Bill, 2025 proposes sweeping tax changes that could significantly impact the housing, real estate, and construction. Key proposals include introduction of a tax relief on interest paid on loans for construction of residential homes, removal of tax incentives for large-scale developers and developers of affordable housing, among others. While the Bill is still under review, its current form signals major policy shifts with far-reaching economic implications across the real estate sector.

We provide more details here:

Removal of Preferential 15% Corporate Tax Rate for Housing Developers of 100+ units

Withdrawal of VAT exemptions on affordable housing inputs - the Bill proposes to tax at 16%

Recalibration of 100% Investment Deduction for Hotel and Industrial Buildings to 100% in 3 years instead of 1 year

Previously exempt construction inputs for specialized hospitals will be subject to VAT at 16%.

Introduction of interest relief of up to KES 360,000 per year on home construction loans from formal institutions.

KEY

- Negative proposal in the Bill
- Positive proposal in the Bill

The changes highlighted here may or may not be carried into Finance Act, 2025. Contents of the Bill may change depending on stakeholder input or amendments in Parliament.