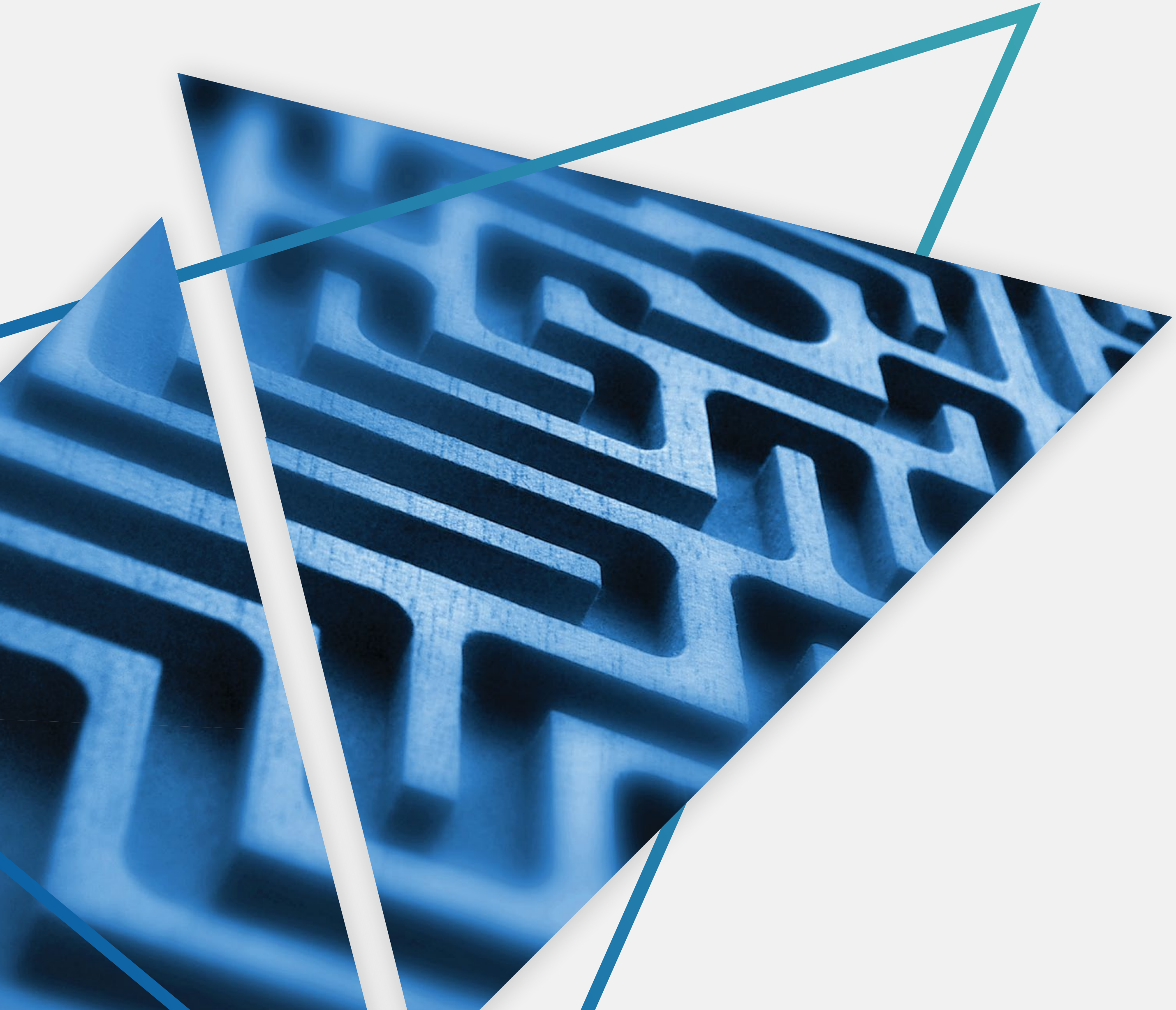
Tax & Exchange Control

ALERT | 25 September 2025



In this issue

KENYA

How the NIFC tax incentives can reshape Africa's private capital landscape

For more insight into our expertise and services

How the NIFC tax incentives can reshape Africa's private capital landscape

Africa's private equity and venture capital landscape is undergoing a profound transformation. Once viewed as a marginal frontier, the continent is being re-evaluated by institutional investors as a long-term allocation. AVCA's 2024 African Private Capital Activity Report shows fundraising doubled to USD 4 billion, deal volumes rose 8%, and exits increased 47%, signalling a maturing market and renewed momentum.

Kenya is also at the centre of this shift. The Finance Act, 2025 incentives for the Nairobi International Financial Centre (NIFC) are being designed to pull in institutional capital. It introduced preferential corporate tax rates for certified startups and large investors and a dividend withholding tax (WHT) exemption tied to local reinvestment.

Together with the NIFC's one-stop shop facilitation, Kenya is positioning itself as the gateway to East Africa's deal flow, supported by sectoral depth across technology, infrastructure and a mature startup ecosystem.

Why Nairobi and why now

The Finance Act, 2025 introduced a tiered corporate tax incentive for entities certified by the NIFC Authority. To qualify, entities must demonstrate a substantive presence in Nairobi, including physical offices and adequate staffing, and engage in designated financial or related activities such as banking, fund management, venture capital, fintech, capital markets, advisory services, green finance or carbon trading.

Companies certified by the NIFC Authority under the Category A licence will qualify for a reduced corporate tax rate of 15% for the first 10 years and 20% for the subsequent 10 years. To qualify for the preferential tax rate, such a company must:

- commit at least KES 3 billion (~ USD 23.2 million) in its first three years of operation;
- be a holding company with at least 70% of its senior management being Kenyan citizens; and
- operates its regional headquarters in Kenya with at least 60% of senior management being Kenyan citizens.

Dividends paid by such a company to its shareholders are exempt from WHT if the company reinvests at least KES 250 million annually in Kenya.

NIFC-certified startups are licensed as Category B, and such startup will enjoy a 15% corporate tax rate for the first three years and 20% for the subsequent four years.

The reduced corporate tax, directly coupled with the dividend WHT exemption, could unlock millions in upstream savings for private equity and venture capital funds.

Lessons for the NIFC from Mauritius and Rwanda

As African economies deepen their capital markets, international financial centres like Mauritius and Kigali are positioning themselves as the front-runners for cross-border investment. This push has earned them top rankings in Africa by the Global Financial Centres Index.

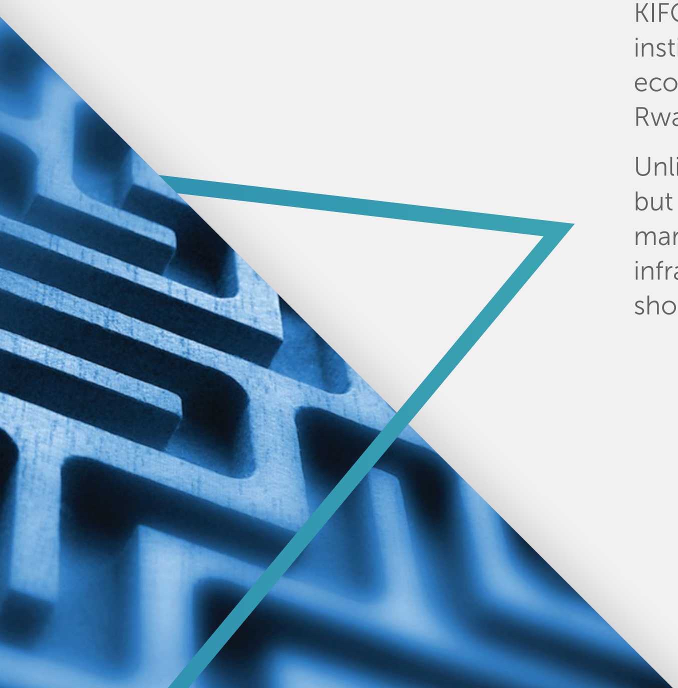
How the NIFC tax incentives can reshape Africa's private capital landscape

CONTINUED

Mauritius remains one of the most established international financial centres in Africa, with a deep ecosystem of fund managers, service providers and over 45 double taxation treaties. This has made it highly attractive for holding companies and international funds by offering certainty on repatriation, protection from double taxation, and confidence in long-term structuring. In Kenya, the double taxation agreement (DTA) network is fragmented, with only 15 DTAs in force, while DTAs with key markets are still pending operationalisation. To compete, the Government should prioritise expanding and activating Kenya's DTA network.

Comparatively, the Kigali International Financial Centre (KIFC) offers one of Africa's most aggressive incentive regimes, including no forex exchange control, no restrictions on foreign ownership or assets, 100% repatriation of profits and tax incentives for investors structuring their investments through the KIFC. The KIFC has also forged partnerships with global financial institutions, legal firms and fintech leaders to deepen its ecosystem and attract anchor investors. Kenya can emulate Rwanda's branding and partnerships.

Unlike Mauritius or Kigali, the NIFC's edge is not just fiscal but transactional proximity to East African deal flows and market depth. Nairobi is already East Africa's hub for fintech, infrastructure, agri-tech and green finance. The branding should emphasise Nairobi's role as the financial hub for the Common Market for Eastern and Southern Africa, East African Community and African Continental Free Trade Area, positioning the NIFC as the natural gateway for regional fund managers and corporates.



Final word

Africa's private capital market is entering a new phase of maturity, driven by rising institutional confidence, deeper investor participation and regulatory reforms. Within this context, Kenya, through the NIFC framework, offers a compelling value proposition: a predictable legal environment and preferential tax incentives, all anchored in a market with real deal flow and sectoral depth.

While Mauritius and Kigali remain competitive on tax and compliance optics, the NIFC's differentiator lies in proximity to East Africa's growth pipeline and access to a sophisticated domestic investor base.

For fund managers and investors, the strategic question is no longer whether Nairobi belongs in the conversation, but how to structure for maximum advantage under the NIFC regime. Unlike many incentive regimes that look good on paper but deliver little in practice, the NIFC framework could turn Nairobi from a cost centre into a competitive advantage when structured well.

Alex Kanyi, Denis Maina, and Prince Kiptoo

OUR TEAM

For more information about our Tax & Exchange Control practice and services in South Africa, Kenya and Namibia, please contact:

Emil Brincker
Practice Head & Director:
Tax & Exchange Control
T +27 (0)11 562 1063
E emil.brincker@cdhlegal.com

Gerhard Badenhorst
Director:
Tax & Exchange Control
T +27 (0)11 562 1870
E gerhard.badenhorst@cdhlegal.com

Jerome Brink
Director:
Tax & Exchange Control
T +27 (0)11 562 1484
E jerome.brink@cdhlegal.com

Petr Erasmus
Director:
Tax & Exchange Control
T +27 (0)11 562 1450
E petr.erasmus@cdhlegal.com

Dries Hoek
Director:
Tax & Exchange Control
T +27 (0)11 562 1425
E dries.hoek@cdhlegal.com

Alex Kanyi
Partner | Kenya
T +254 731 086 649
+254 204 409 918
+254 710 560 114
E alex.kanyi@cdhlegal.com

Heinrich Louw
Director:
Tax & Exchange Control
T +27 (0)11 562 1187
E heinrich.louw@cdhlegal.com

Howmera Parak
Director:
Tax & Exchange Control
T +27 (0)11 562 1467
E howmera.parak@cdhlegal.com

Stephan Spamer
Director:
Tax & Exchange Control
T +27 (0)11 562 1294
E stephan.spamer@cdhlegal.com

Tersia van Schalkwyk
Tax Consultant:
Tax & Exchange Control
T +27 (0)21 481 6404
E tersia.vanschalkwyk@cdhlegal.com

Varusha Moodaley
Senior Associate:
Tax & Exchange Control
T +27 (0)21 481 6392
E varusha.moodaley@cdhlegal.com

Nicholas Carroll
Associate:
Tax & Exchange Control
T +27 (0)21 481 6433
E nicholas.carroll@cdhlegal.com

Mariska Delport
Associate:
Tax & Exchange Control
T +27 (0)11 562 1574
E mariska.delport@cdhlegal.com

Puleng Mothabeng
Associate:
Tax & Exchange Control
T +27 (0)11 562 1355
E puleng.mothabeng@cdhlegal.com

Sophie Muzamhindo
Associate:
Tax & Exchange Control
T +27 (0)11 562 1729
E sophie.muzamhindo@cdhlegal.com

Savera Singh
Associate:
Tax & Exchange Control
T +27 (0)11 562 1575
E savera.singh@cdhlegal.com

JOHANNESBURG
1 Protea Place, Sandton, Johannesburg, 2196. Private Bag X40, Benmore, 2010, South Africa.
Dx 154 Randburg and Dx 42 Johannesburg.
T +27 (0)11 562 1000 F +27 (0)11 562 1111 E jhb@cdhlegal.com

CAPE TOWN
11 Buitengracht Street, Cape Town, 8001. PO Box 695, Cape Town, 8000, South Africa. Dx 5 Cape Town.
T +27 (0)21 481 6300 F +27 (0)21 481 6388 E ctn@cdhlegal.com

NAIROBI
Merchant Square, 3rd floor, Block D, Riverside Drive, Nairobi, Kenya. P.O. Box 22602-00505, Nairobi, Kenya.
T +254 731 086 649 | +254 204 409 918 | +254 710 560 114
E cdhkenya@cdhlegal.com

ONGWEDIVA
Shop No A7, Oshana Regional Mall, Ongwediva, Namibia.
T +264 (0) 81 287 8330 E cdhnamibia@cdhlegal.com

STELLENBOSCH
14 Louw Street, Stellenbosch Central, Stellenbosch, 7600.
T +27 (0)21 481 6400 E cdhstellenbosch@cdhlegal.com

WINDHOEK
1st Floor Maerua Office Tower, Cnr Robert Mugabe Avenue and Jan Jonker Street, Windhoek 10005, Namibia.
PO Box 97115, Maerua Mall, Windhoek, Namibia, 10020
T +264 833 730 100 E cdhnamibia@cdhlegal.com