

# INSIDE THIS ISSUE

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## PG. 2

Setting Up a Business in Kenya

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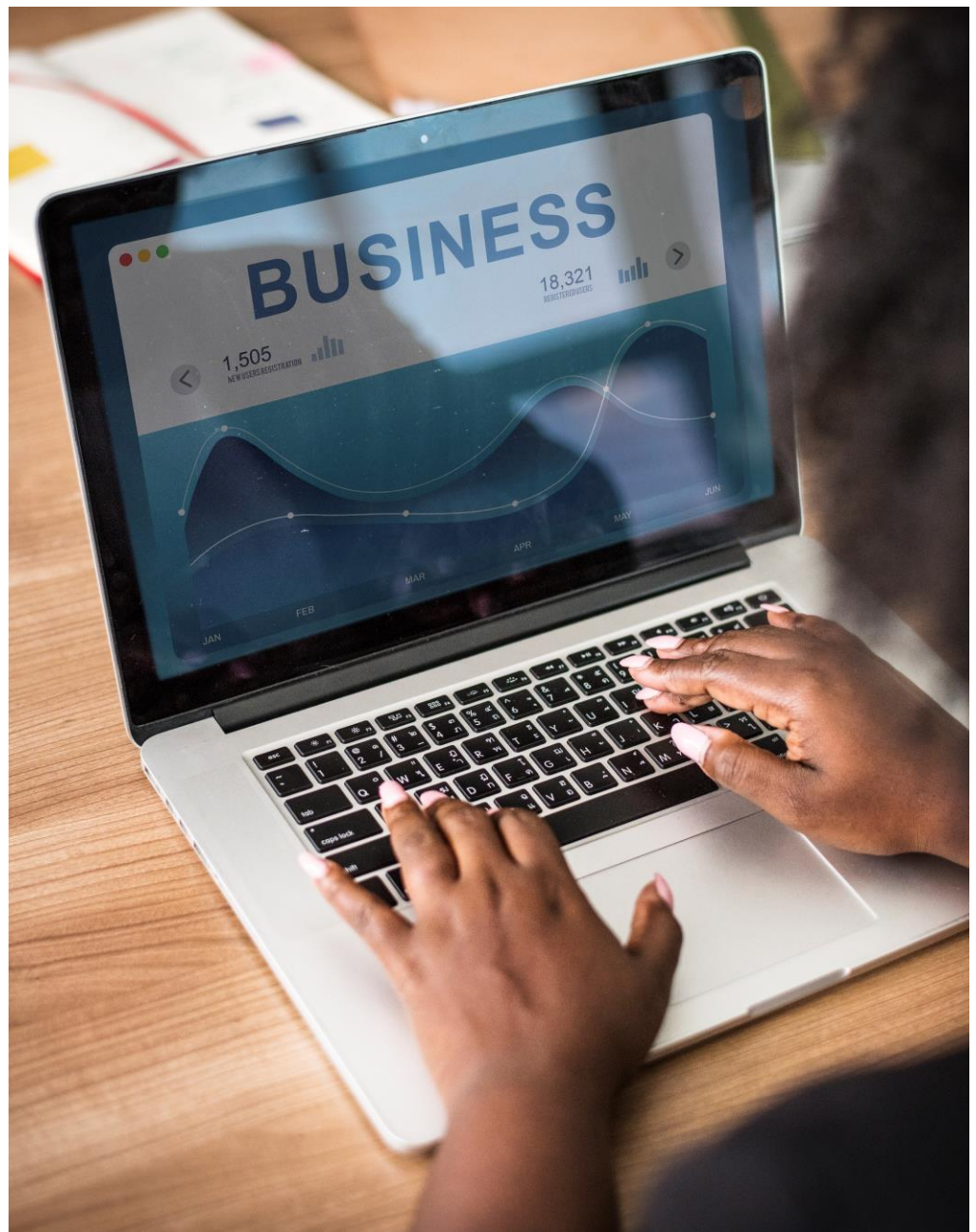
## PG. 3

Setting Up a Business in Kenya

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## PG. 4

Business News Headlines



# BUSINESS INSIGHTS

## BY JANTA

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Welcome to the latest edition of Janta Kenya's newsletter, where we delve into the topic of "Setting Up a Business in Kenya: A Step-by-Step Guide." We are dedicated to providing you with the insights and guidance you need to navigate your financial decisions effectively.



# SETTING UP A BUSINESS IN KENYA: A STEP-BY-STEP GUIDE

Starting a business in Kenya is an exciting journey with promising potential, especially given the country's strong entrepreneurial spirit, vibrant economy, and strategic position as a gateway to East Africa. Whether you're a local entrepreneur or an international investor, understanding Kenya's business landscape can provide an excellent foundation for success. Here's a comprehensive guide on setting up a business in Kenya, focusing on key considerations, legal requirements, market opportunities, and strategic tips.

## 1. Understanding the Business Landscape

Kenya is known for its diversified economy, robust tech ecosystem, and favorable business climate. The World Bank has consistently ranked Kenya among the top performers in Africa for ease of doing business, thanks to its streamlined regulatory reforms. Sectors like agriculture, manufacturing, financial services, technology, and renewable energy offer vast opportunities. The country is home to a youthful, highly skilled labor force and boasts high internet penetration rates, making it ideal for digital and tech-oriented businesses.

Additionally, Kenya is a member of the East African Community (EAC) and the African Continental Free Trade Area (AfCFTA), which provides access to a larger market. This regional integration enables businesses in Kenya to benefit from reduced tariffs and easier access to resources across Africa, making it a favorable destination for both startups and established companies looking to expand.

## 2. Choosing the Right Business Structure

- The first step in setting up a business in Kenya is deciding on a business structure. Kenya offers several options, including:
- Sole Proprietorship: Ideal for small businesses or individuals working independently, such as freelancers or consultants.
- Partnership: Suitable for two or more individuals who wish to run a business together, sharing profits and responsibilities.
- Limited Liability Company (LLC): The most common form for medium to large businesses. It provides liability protection for owners and is more attractive to investors.
- Public Limited Company (PLC): For larger companies intending to raise capital from the public.
- Branch Office: For foreign companies wishing to operate as an extension of their parent company without forming a separate legal entity.

## 3. Registering Your Business

Registering a business in Kenya is a relatively straightforward process, and much of it can be done online through the eCitizen portal. Here are the key steps:



- **Name Search and Reservation:** Start by checking the availability of your business name on the eCitizen platform. Once you find an available name, you can reserve it for a nominal fee.
- **Company Registration:** Submit your registration documents, including the business name, location, structure, and directors' details. You'll need a copy of the directors' IDs or passports, passport-sized photos, and a tax PIN certificate for each director.
- **Payment of Registration Fees:** The fees vary depending on the business structure.
- **Certificate of Incorporation:** Once approved, you'll receive a Certificate of Incorporation. This document is essential for opening a bank account and applying for licenses.

#### 4. Acquiring Necessary Licenses and Permits

Kenya has specific licensing requirements depending on the nature of your business and where it operates. Common permits include:

- **Single Business Permit:** Issued by county governments, it is required for any business operating in a particular county.
- **Sector-Specific Licenses:** For certain industries like food and beverages, healthcare, and education, sector-specific licenses are mandatory. These are usually issued by relevant authorities, such as the Ministry of Health for food-related businesses or the Central Bank of Kenya for financial institutions.
- **Environmental Impact Assessment:** Businesses with environmental implications, such as manufacturing or real estate, need to conduct an Environmental Impact Assessment (EIA) through the National Environment Management Authority (NEMA).

Obtaining the right permits is essential to operate legally and avoid potential fines or business disruptions.

#### 5. Setting Up Financials and Banking

Establishing a business bank account is crucial for managing finances and fostering credibility with clients and partners. Most banks in Kenya require a copy of the Certificate of Incorporation, KRA PIN certificate, company resolution to open an account, and copies of directors' identification documents.

In addition to a local bank account, you'll need to register for the Kenya Revenue Authority (KRA) PIN for tax purposes. Kenya has various tax obligations, including VAT, corporate tax, and withholding tax, depending on your business type. Consulting with a tax expert can help you navigate these requirements effectively.



# BUSINESS NEWS HEADLINES

In October 2024, the Kenya Revenue Authority (KRA) exceeded its targets for betting tax and excise tax on betting services by KSh 16 million and KSh 50 million, respectively, driven by increased betting on major European sports leagues. However, other tax areas underperformed, with PAYE, Domestic VAT, and excise duties on money transfers and domestic goods falling short. PAYE revenues faced a KSh 1.2 billion deficit due to declining average cash pay, linked to company restructuring. Domestic VAT revenue dropped by KSh 2.4 billion, primarily due to a downturn in key sectors, while excise duties on money transfers and domestic goods fell due to reduced banking transactions and lower production of items like beer, tobacco, and bottled water.

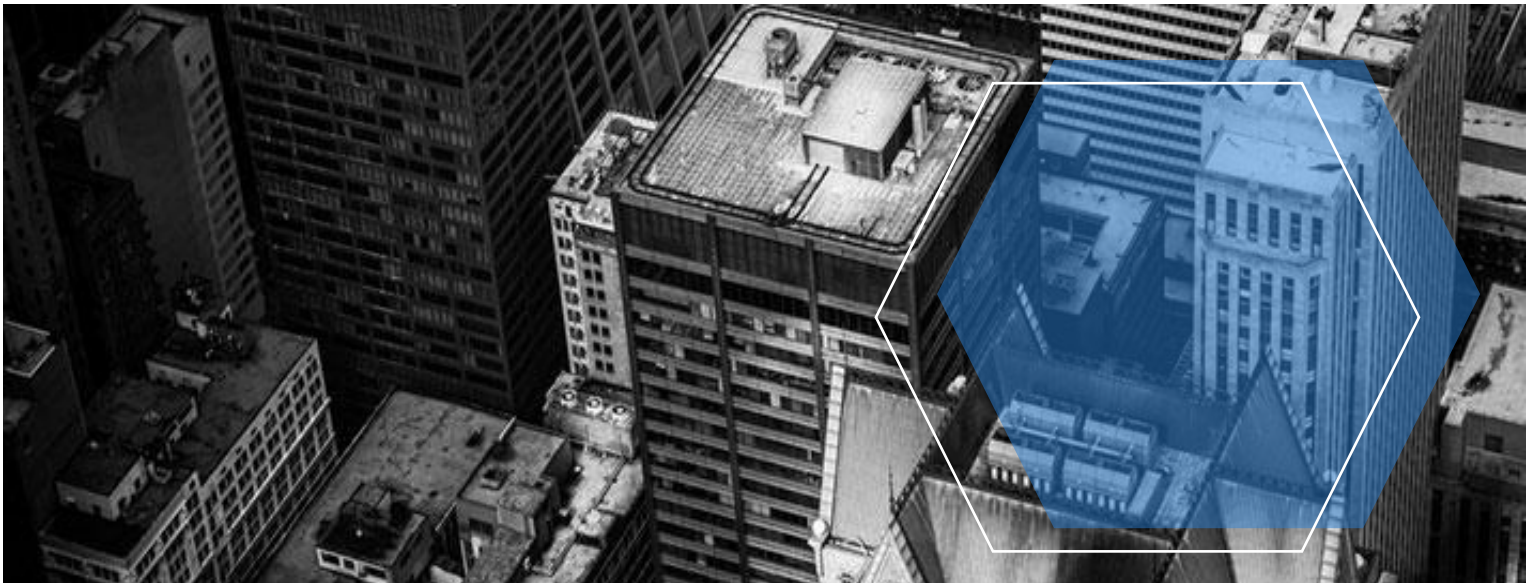
Safaricom's Pochi la Biashara service saw rapid growth in the six months to September 2024, with the number of active tills more than doubling to 869,020 and transaction values surging by 226.6% to KSh 78.52 billion.

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Revenue from Pochi la Biashara rose from KSh 0.3 billion in 2023 to KSh 0.9 billion, with the no-reversal policy contributing to its popularity by protecting merchants from fraudulent reversals. Meanwhile, Lipa na M-Pesa tills remained steady, and although M-Pesa Visa card users increased by 106% to 172,900, the transacted value fell to KSh 4 billion from KSh 6.2 billion in 2023. M-Pesa continues to be a significant revenue driver, accounting for 43.5% of Safaricom's service revenue, reflecting the strong preference for cashless transactions in Kenya, where 68% of the population uses mobile money.

The Kenya Revenue Authority (KRA) aims to collect KSh 60 billion in taxes from the cryptocurrency sector this financial year, building on the KSh 10 billion gathered from crypto traders in the previous year. The Finance Act 2023 introduced a 3% tax on digital asset transactions, but challenges remain in tracking Kenya's over 700,000 crypto traders due to regulatory gaps and banking sector restrictions. To address this, KRA is working with the Central Bank to form a technical committee to better reach these traders. The authority also plans to integrate with cryptocurrency exchanges to monitor transaction data, targeting Kenya's estimated KSh 2.4 trillion crypto market, which could boost national revenue by 2.4%.

Africa is expected to be a primary location for new oil and gas discoveries through 2060, as highlighted by Rystad Energy during Africa Energy Week in Cape Town. Recent annual discoveries in Africa have averaged 300 million barrels, with countries like Uganda holding 6.5 billion barrels in reserves, of which 1.4 billion are recoverable. Other African nations, including Nigeria, Angola, and Libya, also have significant reserves. As energy investments shift away from areas like the North Sea due to green policies, up to 85% of industry growth is projected to come from developing regions, with Africa leading. Analysts suggest stable fiscal policies and improved licensing in regions like Angola and Nigeria could expedite project development, making Africa a key frontier for global energy exploration and production.

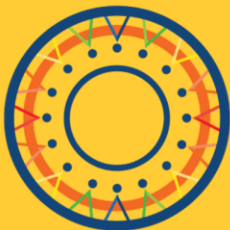


## KEEPING YOU INFORMED AND CONNECTED TO THE LATEST BUSINESS NEWS

In this edition of Janta Kenya's newsletter, we've explored Setting Up a Business in Kenya. Setting up a business in Kenya presents incredible potential for growth, but it requires careful planning, legal compliance, and market understanding. By following the outlined steps and embracing local knowledge and resources, you can establish a strong foundation for your business. As Kenya's economy continues to evolve, entrepreneurs who adapt, innovate, and connect with the local community are well-positioned to thrive.

Starting a business in Kenya is more than just a financial endeavor; it's a journey of tapping into a thriving, dynamic market filled with opportunity. Whether you're eyeing the local market or looking to expand regionally, Kenya's vibrant business environment can be the springboard to success.

Thank you for joining us in this edition. Stay tuned for more updates and expert insights to help you navigate your financial journey and stay informed on key developments shaping Kenya's economic landscape.



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