Executive summary

The Kenya Revenue Authority (KRA) has now imposed mandatory affixation of excise stamps on all excisable commodities in accordance with the Excise Duty (Excisable Goods Management System) Regulations, 2017 (the Regulations). KRA contracted SICPA Security Solutions (SICPA) to install excisable goods management systems incorporated in production lines to monitor throughput, production runs and usage of excise stamps by manufacturers.

While installation of the system is ongoing, KRA published a notice on 4 October 2017 in the dailies requiring all bottled water, soda in polyethylene terephthalate (PET), energy drinks, other non-alcoholic beverages, food supplements and cosmetics to have an excise stamp. The requirement applies to both manufactured and imported products.

Detailed discussion

Implementation

KRA has issued a notice imposing a mandatory excise stamp requirement on selected excisable goods. This requirement was first introduced by the repealed Customs and Excise (Excisable Goods Management System – EGMS) Regulations, 2013 on all excisable goods except motor vehicles but was never implemented.
Until issuance of the notice, KRA had only enforced implementation of excise stamps on cigarettes, beer, wines and spirits.

The Regulations became effective on 30 March 2017 and provide for different costing of excise stamps according to product category in lieu of the previous flat rate of KES1.5 per stamp regardless of the product. Prescribed excise stamp rates are provided below:

<table>
<thead>
<tr>
<th>Category of excisable goods</th>
<th>Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes</td>
<td></td>
</tr>
<tr>
<td>Cigarettes containing tobacco or tobacco substitutes</td>
<td></td>
</tr>
<tr>
<td>Other manufactured tobacco and manufactured tobacco substitutes; “homogenous” and “reconstituted tobacco”; tobacco extracts and essences</td>
<td>2.8 per stamp</td>
</tr>
<tr>
<td>Wines including fortified wines, and other alcoholic beverages obtained by fermentation of fruits</td>
<td></td>
</tr>
<tr>
<td>Compounded spirits of alcoholic strength exceeding 10%</td>
<td></td>
</tr>
<tr>
<td>Spirituous beverages of alcoholic strength not exceeding 10%</td>
<td>1.5 per stamp</td>
</tr>
<tr>
<td>Beer, cider, perry, mead, opaque beer and mixtures of fermented beverages with non-alcoholic beverages</td>
<td></td>
</tr>
<tr>
<td>Fruit juices (including grape must), and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweeting matter</td>
<td></td>
</tr>
<tr>
<td>Sweetened or flavored water and non-alcoholic beverages not including fruit or vegetable juices of tariff heading 2202</td>
<td>0.6 per stamp</td>
</tr>
<tr>
<td>Cosmetics and beauty products of tariff heading 3303, 3304, 3305 and 3307</td>
<td></td>
</tr>
<tr>
<td>Mineral water and aerated water of tariff 2201.10.00</td>
<td>0.5 per stamp</td>
</tr>
</tbody>
</table>

**Impact**

Although it is anticipated that implementation of the stamps on selected products will help eliminate sub-standard products in the local market, put in place traceability mechanism and enhance revenue collection, the immediate effect on manufacturers is the cost associated with implementation of the EGMS system and integration with existing production lines.

**Offenses related to non-compliance**

The following are offenses related to non-compliance with the notice as well as the regulations:

- Importation of bottled water, soda in PET, energy drinks, other non-alcoholic beverages, food supplements and cosmetics without an excise stamp
- Failure to maintain such monthly excise stamp register or record as the Commissioner may require
- Failure to affix an excise stamp to the selected products in accordance with the regulations
- Print over or defacing an excise stamp fixed on a bottle or container
- Deliberate submission of an incorrect excise return
- Failure to furnish any information that the Commissioner may require
- Possession of the selected products in respect of which the excise stamp has not been affixed and which are not destined for export
- Attempts to acquire or acquisition of an excise stamp without prior authority from the Commissioner
- Printing or production of an excise stamp without the authority of the Commissioner

**Next Steps**

Manufacturers are required to submit full details of their brands and register their use of the EGMS system that was rolled out as of 19 October 2017.
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