Tobacco Taxation in Kenya

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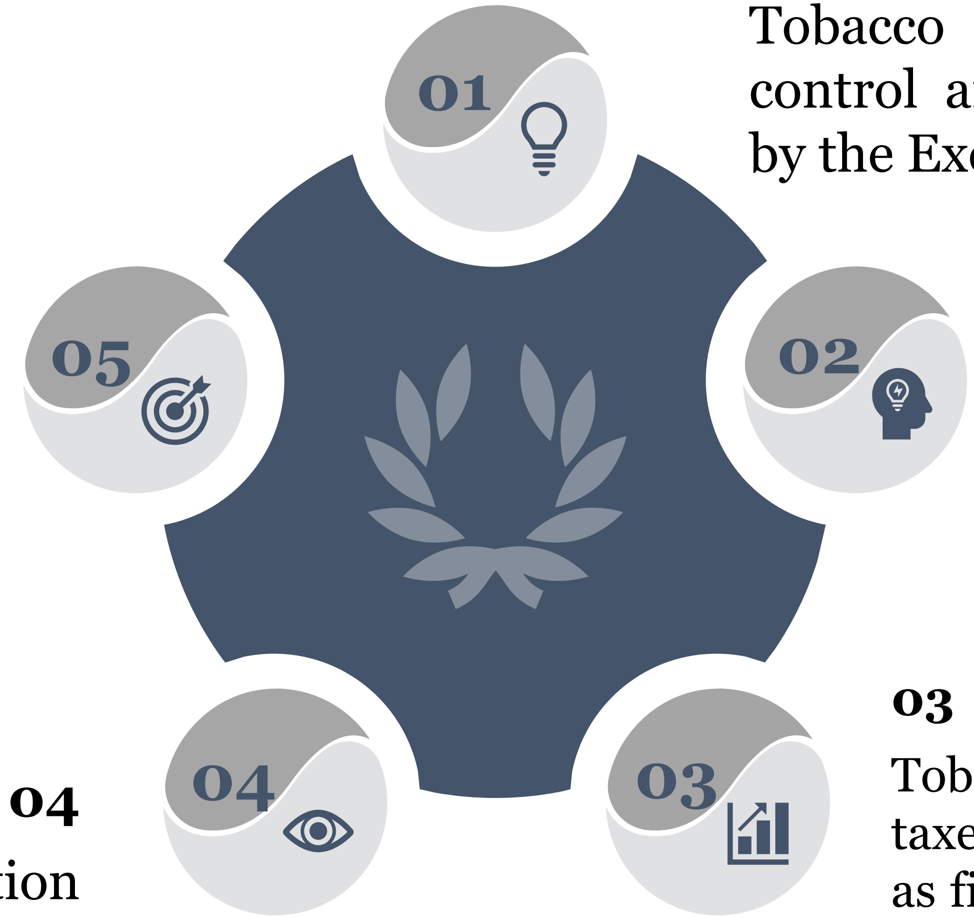
Introduction



01

Tobacco excise tax imposition, control and collection is governed by the Excise Duty Act, Cap 472

02

Tax policy originates from the National Treasury and administered by the Kenya Revenue Authority

03

Tobacco products are currently taxed under various categories such as filtered or non-filtered cigarettes, and other tobacco products

04

Kenya's tobacco taxation is also insufficient

05

Tobacco taxation is recognized as the most effective measure for reducing tobacco consumption, as endorsed by Article 6 of the WHO FCTC.

Tobacco tax policy in Kenya

2003-2007

Four specific progressive tiers based on price

2004 & 2007

- **Kenya ratifies the WHO FCTC in 2004**
- **Kenya enacts the Tobacco Control Act, 2007**

2008 - 2010

Four specific progressive tiers based on price and packs' physical features

2011-2015

Ad valorem tax with minimum specific floor

2015

Kenya enacts the Excise Duty Act

2016-2017

Uniform specific

2017-2018

Two specific tiers based on physical features

2019 - 2022

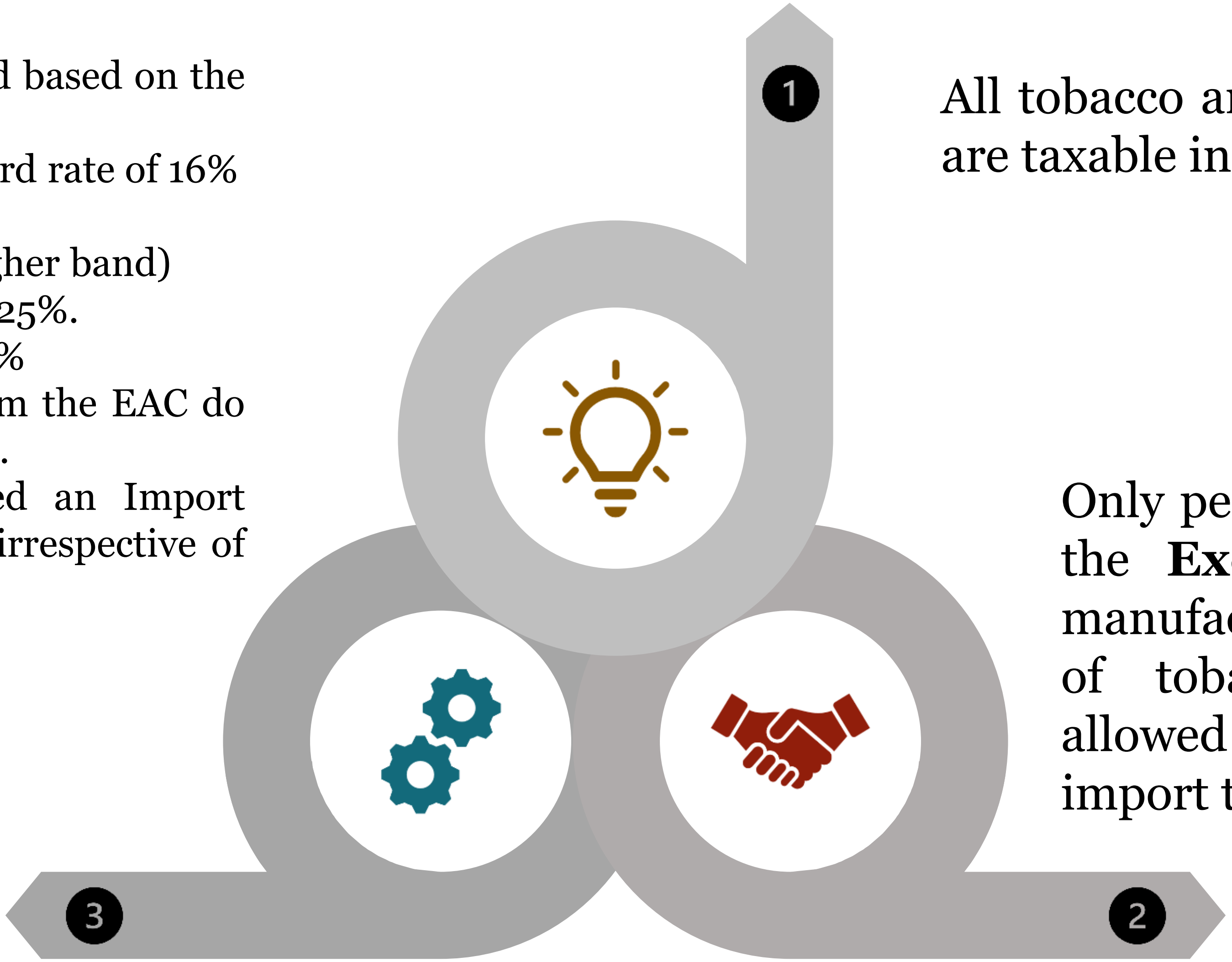
Two specific tiers based on physical features; novel-nicotine tobacco products, inflation adjustments

2023 to date

- **Inflation dropped**
- **Single excise duty tier for cigarettes**

Taxation of tobacco products

- Excise Duty – Structured based on the type of product
- Value added Tax- standard rate of 16%
- Import duty –
    - Cigarette - 35% (higher band)
    - Delivery systems – 25%.
    - Cigarette paper – 0%
- Products originating from the EAC do not attract Import duties.
- All imports are charged an Import declaration fee of 2.5% irrespective of the origin.



All tobacco and tobacco products are taxable in Kenya.

Only persons licensed under the **Excise Duty Act** as manufacturers or importers of tobacco products are allowed to manufacture or import tobacco products.

Tobacco and tobacco products attract 3 main type of taxes

Excise Tax Rates on tobacco products

No	Item	Previous Rate	Current Rate
1.	Cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes	Ksh. 16,260.29 per kg	Ksh. 18,000 per kg
2.	Cigarette with filters (Hinge lid and soft cap)	Shs. 4,067.03 per mille	Shs. 4,100 per mille
3.	Cigarettes without filters (plain cigarettes)	Shs. 2,926.41 per mille	Shs. 4,100 per mille
4.	Other manufactured tobacco and manufactured tobacco substitutes; "homogenous" and "reconstituted tobacco"; tobacco extracts and essences	Ksh. 11,382.48 per kg	Ksh. 12,550 per kg
5.	Products containing nicotine or nicotine substitutes intended for inhalation without combustion or oral application	Shs. 1,594.50 per kg	Shs. 2,000 per kg
6.	Electronic cigarettes and other nicotine delivery devices - (Cartridge for use in electronic cigarettes)	Shs. 2,000 per unit	40%
7.	Liquid nicotine for electronic cigarettes	40%	Shs. 100 per millilitre
8.	Oral smokeless tobacco products (Swedish-style snus) being processed tobacco intended for placement in the mouth and not intended for smoking, combustion or heating	None	Ksh.2000 per kg

Main forms of illicit Trade in Tobacco products

Undeclared production

Smuggling

Diversion of exports

Misclassification of tobacco products

Use of counterfeit stamps

Contrabands (Counterfeit, illicit whites, loose tobacco etc)

Kenya milestone’s

01

Kenya has made significant efforts to increase tobacco taxes

02

Implementation of uniform tax rate for cigarettes and taxation of emerging tobacco products

03

The current tax rates account for less than 50% of the retail selling price of tobacco products

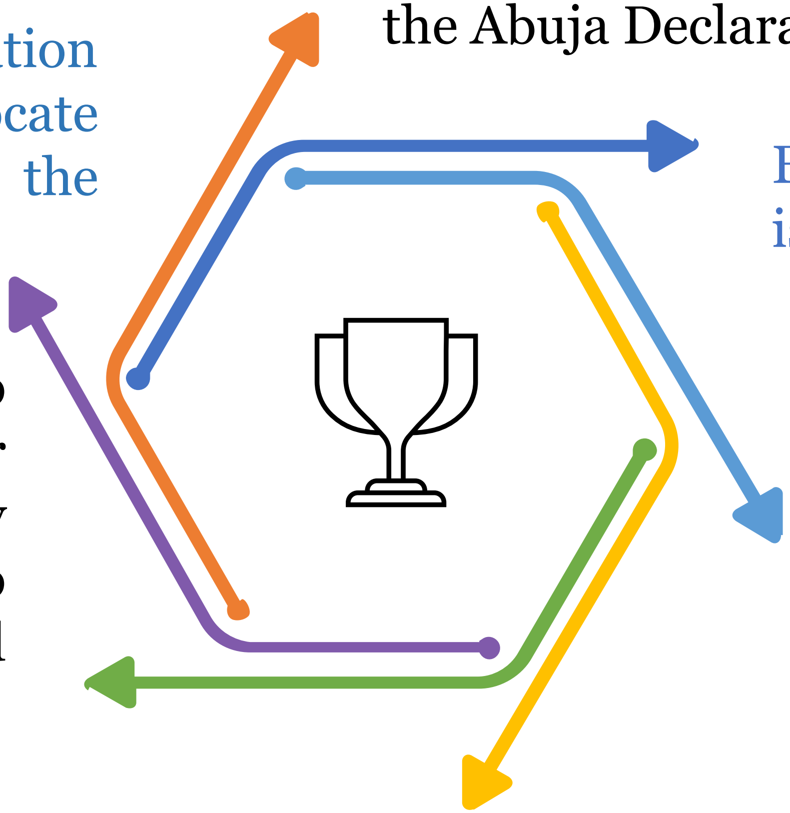
04

These rates are still below the WHO-recommended minimum of 70%.

Earmarking of tobacco taxes

Kenya signed the Abuja Declaration in 2001 and committed to allocate 15% annual budget allocation to the health sector.

Currently, the average percentage of the annual budget allocation is at an average falls short of the Abuja Declaration



Excise duty collected in Kenya is submitted to the exchequer

Budget allocations from exchequer revenue are done annually

Section 7(2)(f) of the Act provides that the Tobacco Control Fund shall consist of among others "a solatium compensatory contribution."

A 2% levy on all tobacco products manufactured or imported into the country designated to fund tobacco control research, cessation, and rehabilitation programmes

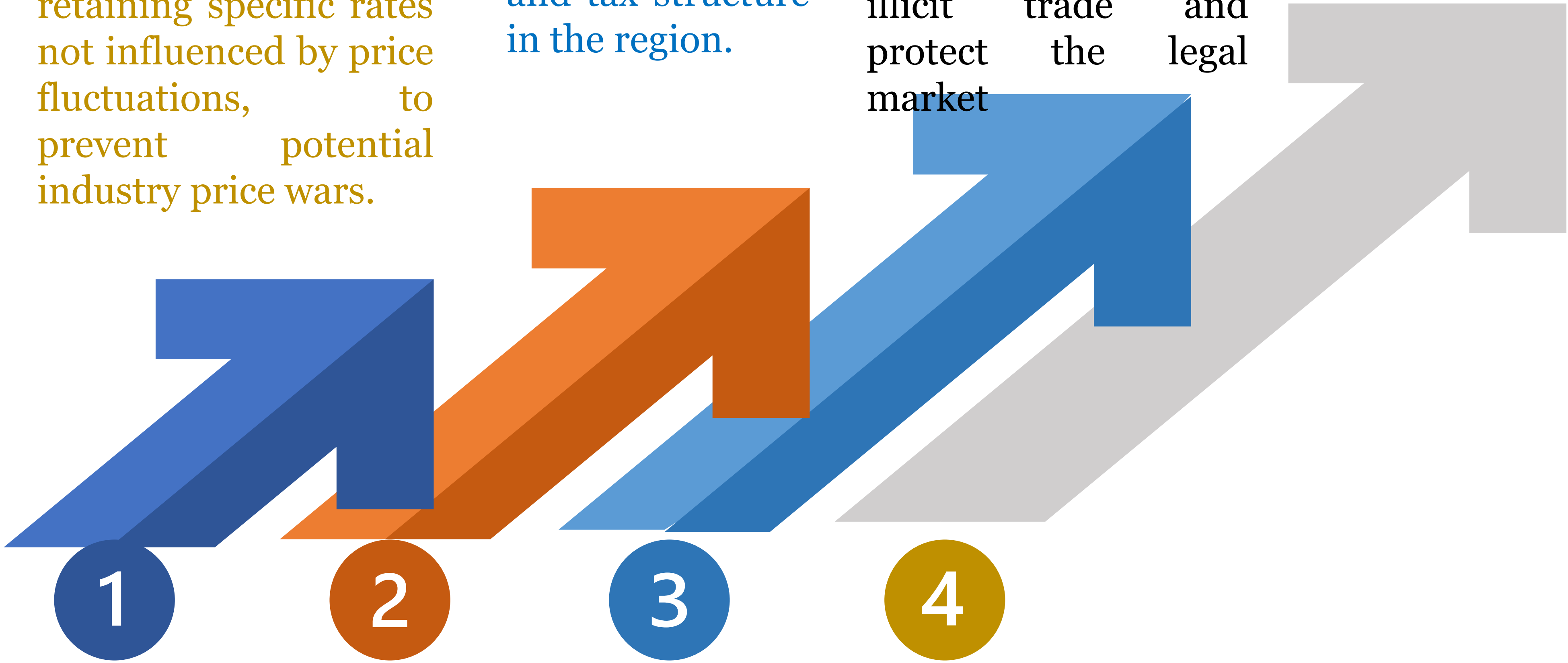
Where do we want?

Convert excise rates from milles to kilograms while retaining specific rates not influenced by price fluctuations, to prevent potential industry price wars.

Harmonization of tobacco rates and tax structure in the region.

Strengthen enforcement measures to curb illicit trade and protect the legal market

Enforce the ban on single-stick cigarette sales as mandated by the Tobacco Control Act.



National Tax Policy & MTRS

National Tax Policy

- Excise duty targets goods and services with harmful impacts on health, the environment, or society to discourage consumption.
- The duty rate can be ad valorem, specific, or both.
- Part of the revenue may be used to mitigate the negative effects of these goods or services on society.

MTRS

Harmonize excise duty on cigarettes and other tobacco products.

Conclusions

Tobacco taxes generate essential revenue and reduce health-related public spending

Compliance with the WHO FCTC treaty is crucial for structuring tobacco taxes

Strong laws, transparency, and efficient use of resources maximize the health impact of tobacco taxes

Effective tax policies require careful design and implementation by policymakers.

Earmarking tobacco tax revenue for public health boosts tobacco control efforts

Thank You!

Questions?