

CUSTOMS TAXES AND EXCISE TAXES

Purpose of Customs and Excise Duties in Kenya

Customs and excise duties are important sources of government revenue and play a crucial role in regulating trade, protecting local industries, and influencing consumer behavior. These taxes are administered by the **Kenya Revenue Authority (KRA)** under the **East African Community Customs Management Act (EACCMA), 2004**, and the **Excise Duty Act, 2015**.

1. Purpose of Customs Duty

Customs duty is a tax imposed on **imported and exported goods** to regulate trade and protect the economy.

Key Objectives:

- ✓ **Revenue Generation** – Provides funds for government projects like infrastructure, healthcare, and education.
 - ✓ **Protection of Local Industries** – Encourages domestic production by making imported goods more expensive.
 - ✓ **Trade Regulation** – Helps control the flow of goods and ensures compliance with international trade agreements.
 - ✓ **Prevention of Dumping** – Prevents foreign companies from selling goods at unfairly low prices, harming local businesses.
 - ✓ **Security & Safety** – Restricts the entry of illegal, counterfeit, or harmful products.
-

2. Purpose of Excise Duty

Excise duty is a tax levied on **specific goods and services**, especially those considered **harmful, luxurious, or in high demand**. It applies to both **locally manufactured and imported products**.

Key Objectives:

- ✓ **Revenue Collection** – Raises money for the government to fund development projects.
- ✓ **Discouraging Harmful Consumption** – Increases prices of products like alcohol, cigarettes, and sugary drinks to reduce their use.

- ✓ **Regulating Luxury Goods** – Targets items like motor vehicles and petroleum products to generate revenue from high-income consumers.
- ✓ **Environmental Protection** – Taxes on fuel and emissions discourage pollution.

Customs Procedures in Kenya

Customs procedures in Kenya regulate the **importation, exportation, and transit** of goods through the country's borders. These procedures are administered by the **Kenya Revenue Authority (KRA)** under the **East African Community Customs Management Act (EACCMA), 2004** and other trade agreements.

1. Key Stages in the Customs Process

A. Importation Process (Bringing Goods into Kenya)

□ Pre-Arrival Documentation & Import Declaration

- Importers register with KRA on the **Integrated Customs Management System (iCMS)**.
- Obtain an **Import Declaration Form (IDF)** from KRA before shipment.
- Submit the **bill of lading, commercial invoice, and packing list**.

▣ Customs Valuation & Tax Assessment

- The customs value is based on **Cost, Insurance, and Freight (CIF)**.
- Import duty, VAT, excise duty, and levies are determined.

▣ Goods Inspection & Verification

- Kenya Bureau of Standards (**KEBS**) inspects goods for quality compliance.
- KRA may conduct a physical examination or scan containers.

▣ Payment of Customs Duties & Taxes

- Importers pay duties through iTax or banks before clearance.

▣ Customs Clearance & Release of Goods

- Once duties are paid, a **Customs Release Order (CRO)** is issued.
 - Goods are collected from the port, airport, or border point.
-

B. Exportation Process (Sending Goods Out of Kenya)

□ Export Declaration

- Exporters file an **Export Entry Declaration** in the iCMS system.
- Submit relevant documents (commercial invoice, bill of lading, export permits).

▢ Inspection & Certification

- KEBS and other regulatory bodies inspect goods for compliance.

▣ Payment of Export Duties (if applicable)

- Some raw materials (e.g., hides, skins) attract export duties.

▤ Customs Clearance & Exit

- KRA issues an **Export Release Order (ERO)**.
 - Goods leave the country through a designated border point, port, or airport.
-

C. Transit Goods Process (Moving Goods Through Kenya to Another Country)

□ Declaration of Transit Goods

- Importers declare goods as **transit cargo** using iCMS.

▢ Bond Security Requirement

- A **customs bond** is lodged to guarantee that goods will exit Kenya.

▣ Electronic Cargo Tracking

- Goods are **tagged with GPS trackers** to prevent illegal dumping.

▤ Exit Verification & Bond Clearance

- Goods are verified at exit points before the bond is released.
-

2. Key Customs Documents Required

Document	Purpose
Import Declaration Form (IDF)	Required before shipping imports
Bill of Lading / Airway Bill	Proof of shipment & ownership
Commercial Invoice	States the value of imported/exported goods
Packing List	Details the quantity & type of goods
Customs Entry Declaration	Used for both imports & exports clearance
Permits & Licenses	Required for regulated goods (e.g., pharmaceuticals, food)

Bonded Warehouses and Bond Securities in Kenya

Bonded warehouses and bond securities are essential in Kenya's customs system, allowing businesses to store imported goods **before paying customs duties** and ensuring tax compliance. These systems are managed by the **Kenya Revenue Authority (KRA)** under the **East African Community Customs Management Act (EACCMA), 2004**.

1. Bonded Warehouses in Kenya

What is a Bonded Warehouse?

A **bonded warehouse** is a **customs-approved storage facility** where imported goods can be stored without paying import duties and taxes until they are released for sale or export.

Purpose of Bonded Warehouses

- Defers Payment of Duties & Taxes** – Importers can store goods and pay customs duties later.
- Encourages International Trade** – Businesses can stock imported goods before they are sold.
- Improves Cash Flow** – Companies do not have to pay import duties immediately.
- Allows Re-Exportation** – Goods can be re-exported without incurring Kenyan taxes.
- Ensures Compliance** – Goods remain under customs supervision to prevent smuggling.

Types of Bonded Warehouses in Kenya

1. **Public Bonded Warehouses** – Open to any importer; managed by customs agents or private firms.
2. **Private Bonded Warehouses** – Owned by specific businesses for their imported goods.
3. **Government Bonded Warehouses** – Managed by government agencies for controlled goods.

2. Bond Securities in Kenya

What is a Bond Security?

A **bond security** is a financial guarantee that importers provide to **ensure payment of customs duties and taxes** when goods are stored in a bonded warehouse or in transit. It acts as a **promise to the government** that duties will be settled before the goods are released.

Types of Bond Securities in Kenya

Type of Bond	Purpose
Warehouse Bond	Ensures import duties will be paid before goods leave the bonded warehouse.
Transit Bond	Required for goods passing through Kenya to another country (to prevent illegal dumping).
Temporary Import Bond	Covers goods temporarily imported into Kenya (e.g., for exhibitions).
Customs Agent Bond	Required for clearing and forwarding agents to ensure compliance.

How Bond Securities Work

- The importer provides a **bond guarantee** from a **bank or insurance company**.
- The customs authority **holds the bond** until the duties are paid or the goods exit the country.
- If the importer **fails to pay duties**, **KRA claims the bond amount** from the guarantor.

3. Summary of Bonded Warehouses & Bond Securities

Feature	Bonded Warehouse	Bond Security
Purpose	Stores goods before duty payment	Ensures duty payment or compliance
Who Uses It?	Importers, traders	Importers, customs agents, transporters
Key Benefit	Defers tax payment	Prevents loss of revenue for KRA
Who Regulates It?	KRA (Customs Department)	KRA (Customs & Excise)

Goods Subject to Customs Control in Kenya

In Kenya, **goods under customs control** are those that have entered, are passing through, or are leaving the country but have not yet been **cleared by the Kenya Revenue Authority (KRA)**. These goods remain under customs supervision until all taxes, duties, and regulations are fully complied with.

2. Categories of Goods Under Customs Control

A. Imported Goods

All imported goods remain under **customs control** until:

- Duties and taxes are paid**
- Customs clearance is granted**
- Goods are released from a customs-controlled facility**

Examples of Imported Goods Under Customs Control:

- Goods at ports (Mombasa, Jomo Kenyatta International Airport)
 - Goods stored in **bonded warehouses**
 - Transit goods passing through Kenya
 - Restricted or prohibited goods awaiting clearance
-

B. Exported Goods

Goods for export remain under **customs control** until:

- Export declarations are completed**
- Customs officials approve exit**
- Goods physically leave Kenya**

Examples of Exported Goods Under Customs Control:

- Agricultural produce (tea, coffee, horticulture)
- Manufactured goods (textiles, electronics)
- Minerals and raw materials (hides & skins, gemstones)

C. Transit Goods (Goods Passing Through Kenya)

Transit goods are imported into Kenya but are destined for **another country** (e.g., Uganda, Rwanda, South Sudan). These remain under customs control until:

- They exit Kenya through designated border points**
- Customs bonds are cleared**
- **They are tracked via the Electronic Cargo Tracking System (ECTS)**

Examples of Transit Goods Under Customs Control:

- Petroleum products for Uganda and Rwanda
- Vehicles imported through Mombasa but destined for other East African countries
- Machinery and heavy equipment in transit

D. Restricted and Prohibited Goods

Restricted goods require special **permits and approval** before clearance, while prohibited goods **cannot be imported or exported**.

Examples of Restricted Goods (Require Permits):

- Pharmaceuticals & medical equipment (Ministry of Health approval)
- Firearms & ammunition (Police & Ministry of Interior approval)
- Plants, seeds & animals (Kenya Plant Health Inspectorate Services - KEPHIS)
- Precious minerals & gemstones (Ministry of Mining approval)

Examples of Prohibited Goods (Banned from Trade):

- Counterfeit goods
- Narcotics & illegal drugs
- Pornographic materials
- Hazardous waste

E. Goods in Bonded Warehouses

Goods stored in **bonded warehouses** remain under customs control until:

- Import duties and taxes are paid**
- Goods are re-exported or cleared for local sale**

Examples:

- Vehicles in bonded yards
- Bulk imports (electronics, textiles, food items)

3. Summary Table: Goods Under Customs Control in Kenya

Category	Goods Under Customs Control	Condition for Release
Imported Goods	All imports (vehicles, electronics, raw materials)	Payment of duties & customs clearance
Exported Goods	Agricultural & manufactured products	Customs export approval
Transit Goods	Goods passing through Kenya	Exit from designated border points
Restricted Goods	Pharmaceuticals, firearms, plants	Special permits & compliance
Prohibited Goods	Narcotics, counterfeit items	Cannot be cleared
Bonded Goods	Vehicles, bulk imports	Payment of duties or re-exportation

Refund of Duty in Kenya

A **refund of duty** in Kenya refers to the repayment of customs duties, excise duty, or VAT paid on imported or locally manufactured goods under specific conditions. The process is administered by the **Kenya Revenue Authority (KRA)**.

1. Grounds for Duty Refund in Kenya

A taxpayer can claim a refund of duty under the following circumstances:

Ground for Refund	Description
Overpayment of Duty	When an importer mistakenly pays excess customs duty or excise duty.
Return or Re-export of Goods	If imported goods are returned to the supplier or re-exported due to defects or other reasons.
Goods Entered for a Wrong Tariff Code	If an importer is charged a higher duty rate due to incorrect classification.

Exemption from Duty Not Applied	If duty was paid on exempted goods (e.g., diplomatic goods, government imports).
Rebate for Raw Materials Used in Exported Goods	Manufacturers can claim a refund on raw materials used to produce exported goods.
Goods Destroyed Under Customs Control	If goods are lost or destroyed while still under customs control before release.

2. Process for Claiming a Duty Refund

Step 1: Submit a Refund Application

- The claimant (importer, manufacturer, or taxpayer) must apply for a duty refund through the **iTax system** or manually to the **Commissioner of Customs & Border Control (KRA)**.
- Attach supporting documents.

Step 2: Verification by KRA

- KRA verifies the claim to ensure it meets legal requirements.
- If approved, the claim is forwarded for processing.

Step 3: Refund Approval & Payment

- If the refund is approved, the funds are credited to the claimant's **bank account or tax ledger**.
- Refunds are usually processed within **90 days**, depending on verification.

3. Documents Required for Duty Refund

To apply for a refund, the following documents are needed:

- ✓ **Original payment receipts** for the duty paid
- ✓ **Import/export documents** (Bill of Lading, Customs Entry Declaration)
- ✓ **Tax exemption certificate** (if applicable)
- ✓ **Proof of re-export or return of goods** (for refunds on returned goods)
- ✓ **Audit report from KRA** (in case of overpayment)
- ✓ **Bank details for refund processing**

4. Time Limit for Claiming a Refund

- A **duty refund must be claimed within 12 months** from the date of duty payment.
- Late claims may be **denied unless there is a valid reason** for the delay.

The Simba System & Integrated Customs Management System (iCMS) in Kenya

Kenya's **customs clearance and trade facilitation** are managed through digital platforms developed by the **Kenya Revenue Authority (KRA)**. Two key systems have been used:

1. **Simba System** – The earlier customs clearance system, now phased out.
2. **Integrated Customs Management System (iCMS)** – The modern, improved system replacing Simba.

1. The Simba System

What Was the Simba System?

The **Simba 2005 System** was an **electronic customs management system** introduced by KRA in 2005 to automate customs clearance. It allowed traders, importers, and clearing agents to declare and pay taxes electronically.

Functions of the Simba System:

- ✓ **Automated Customs Clearance** – Traders could submit declarations online.
- ✓ **Duty Calculation & Payment** – Import duties and VAT were assessed and paid digitally.
- ✓ **Cargo Tracking** – Goods in transit were monitored.
- ✓ **Integration with Banks** – Payments were linked to financial institutions.

Challenges with the Simba System:

- ✗ **Frequent System Failures** – It often crashed, delaying cargo clearance.
- ✗ **Limited Automation** – Many processes still required manual intervention.
- ✗ **Weak Integration** – It was not well-linked with other government trade systems.
- ✗ **Security Issues** – Cases of fraud and manipulation of tax declarations.

Due to these issues, **Simba was replaced by iCMS** to enhance efficiency and security.

2. Integrated Customs Management System (iCMS)

What is iCMS?

The **Integrated Customs Management System (iCMS)** is Kenya's current customs clearance system, developed by KRA to replace Simba. It provides a **fully automated** and **efficient** customs management platform.

Key Features of iCMS:

- ✓ **End-to-End Automation** – Handles import/export processing, duty assessment, and clearance.
- ✓ **Paperless Transactions** – Electronic submission of documents (no need for manual paperwork).
- ✓ **Real-Time Cargo Tracking** – Uses **Electronic Cargo Tracking System (ECTS)** to monitor transit goods.
- ✓ **Faster Clearance Process** – Reduces delays and bottlenecks at ports and borders.
- ✓ **Integration with Other Government Agencies** – Linked with KEBS, KEPHIS, Port Authorities, and shipping companies.

3. How iCMS Works

A. Import Process Using iCMS

- ❑ **Importer logs into iCMS** and submits an import declaration.
- ☒ **System assigns a unique customs entry number** (for tracking).
- ☒ **Import duties and taxes are calculated** based on cargo details.
- ☒ **Payments are made electronically** through iTax or integrated banks.
- ☒ **Customs officers verify and clear the shipment.**
- ☒ **Goods are released** for entry into the Kenyan market.

B. Export Process Using iCMS

- ❑ **Exporters declare goods** through iCMS.
- ☒ **Customs verifies permits, licenses, and certificates.**
- ☒ **Goods are inspected, and export duty is assessed** (if applicable).
- ☒ **Upon clearance, KRA issues an Export Release Order (ERO).**
- ☒ **Goods leave Kenya** via ports, airports, or land borders.

4. Benefits of iCMS Over Simba

Feature	Simba System	iCMS
System Efficiency	Frequent failures	Stable & efficient
Automation Level	Partially automated	Fully automated
Cargo Tracking	Limited tracking	Real-time tracking
Integration with Other Systems	Weak links to other agencies	Integrated with KEBS, KEPHIS, and banks
Security	Prone to fraud	Improved security features
Processing Speed	Slow & manual	Faster digital processing

Imposition of excise duty

Excise duty is a tax imposed on the **production, sale, or importation** of specific goods and services in Kenya. It is administered by the **Kenya Revenue Authority (KRA)** under the **Excise Duty Act, 2015**, and is commonly referred to as "**sin tax**" because it targets products like alcohol, tobacco, and luxury items.

1. Legal Framework for Excise Duty

Excise duty in Kenya is governed by:

- **Excise Duty Act, 2015** (Main law governing excise taxation).
- **Tax Procedures Act, 2015** (Covers compliance and enforcement).
- **Finance Act (Annual updates)** (Adjusts excise duty rates and policies).

2. Goods & Services Subject to Excise Duty

A. Excise Duty on Goods

Excise duty is levied on the following categories of goods:

Category	Examples	Tax Rate
Alcoholic Beverages	Beer, wines, spirits	KES per liter (varies per type)
Tobacco Products	Cigarettes, cigars, e-cigarettes	KES per cigarette stick or pack
Petroleum Products	Petrol, diesel, kerosene	Set per liter
Luxury Items	High-end cars, jewelry	Ad valorem (% of value)
Carbonated Soft Drinks	Sodas, energy drinks	KES per liter
Cosmetic Products	Beauty & skincare items	Ad valorem (% of value)

B. Excise Duty on Services

Certain services also attract excise duty:

Service	Examples	Tax Rate
Mobile Money Transfers	M-Pesa, Airtel Money, bank transfers	% per transaction
Banking and Financial Services	Loan processing fees, account charges	% per transaction
Telecommunication Services	Calls, SMS, internet services	% on billings
Betting and Gambling	Betting stakes, lottery winnings	% on wagered amount

3. How Excise Duty is Imposed

A. On Locally Manufactured Goods

- Manufacturers must **register for excise duty** with KRA.
- They must **affix excise stamps** (for alcohol, tobacco, and other taxable goods).
- Excise duty is **calculated based on the quantity or value of the goods**.
- Manufacturers submit **monthly excise duty returns via iTax**.
- KRA collects the tax before goods are sold.

B. On Imported Goods

- Importers declare goods through the **Integrated Customs Management System (iCMS)**.
- Excise duty is **calculated at the point of entry**.
- The tax must be paid **before the goods are cleared** for sale in Kenya.

C. On Services

- Businesses providing excisable services **charge excise duty to consumers**.
 - The tax is included in **billing (e.g., bank fees, mobile money charges)**.
 - Service providers **submit monthly returns to KRA**.
-

4. Exemptions & Rebates on Excise Duty

A. Goods & Services Exempt from Excise Duty

Certain essential goods and services are **not subject to excise duty**, including:

- Unprocessed foodstuffs**

- ✔ Basic banking services (e.g., salary deposits)
- ✔ Educational materials

B. Excise Duty Rebates & Refunds

- **Exported goods** are exempt from excise duty.
- Manufacturers may get **rebates for raw materials** used in production.
- Refunds can be claimed if excise duty is **overpaid or wrongly charged**.

Excisable Goods Under Excise Control in Kenya

In Kenya, excisable goods are products that attract **excise duty** under the **Excise Duty Act, 2015**. These goods are subject to strict monitoring by the **Kenya Revenue Authority (KRA)** through the **Excise Control System** to ensure compliance, proper taxation, and prevention of tax evasion.

1. What Are Excisable Goods?

Excisable goods are **locally manufactured or imported products** that attract **excise duty** due to their nature, luxury status, or potential negative effects (e.g., alcohol and tobacco).

These goods **must be declared and excise duty paid** before they are sold or consumed.

2. Categories of Excisable Goods Under Excise Control

Category	Examples	Excise Control Measures
Alcoholic Beverages	Beer, wines, spirits, traditional brews	Must have Excise Stamps and KRA certification
Tobacco & Nicotine Products	Cigarettes, cigars, shisha, nicotine pouches	Excise duty applies per pack, requires Excise Stamps
Soft Drinks & Juices	Carbonated soft drinks, energy drinks, bottled water	Tax applied per liter, monitored at production
Petroleum Products	Petrol, diesel, kerosene, LPG (cooking gas)	Excise duty added at fuel depots/refineries
Luxury & High-Value Items	Jewelry, expensive vehicles above 3000cc	Taxed based on value, requires KRA declaration

Cosmetic Products	Beauty creams, skincare products	Taxed based on selling price
--------------------------	----------------------------------	------------------------------

3. Excise Control Measures by KRA

To prevent tax evasion, KRA enforces excise control through the following:

A. Excise Stamps

- Required on **alcohol, tobacco, bottled water, soft drinks, and energy drinks.**
- Stamps prove that duty has been paid.
- Products without stamps are **illegal and subject to seizure.**

B. Excise Control on Manufacturing & Imports

- All manufacturers & importers of excisable goods must **register with KRA.**
- Goods must be **declared and verified** before entering the market.
- KRA carries out **factory audits and inspections.**

C. Electronic Tax Stamps System (EGMS)

- KRA uses **EGMS (Excisable Goods Management System)** to track excisable products.
 - It ensures that all excisable goods sold in Kenya **have paid the correct taxes.**
-

4. Penalties for Non-Compliance

- ⊘ **Selling excisable goods without excise stamps** – Fine up to **KES 5 million** or **imprisonment for 3 years.**
 - ⊘ **Failure to register as a manufacturer or importer** – Fine of **KES 1 million** or more.
 - ⊘ **Smuggling excisable goods** – Goods are **seized** and a **100% penalty on unpaid tax** is imposed.
-

5. Summary Table of Excisable Goods Under Control

Goods	Excise Control Measures
Alcoholic Beverages	Must have Excise Stamps , declaration, and KRA approval
Tobacco & Cigarettes	Requires Excise Stamps , taxed per pack
Carbonated Drinks & Water	Subject to Excise Duty per liter
Petroleum Products	Excise duty applied at refineries and depots

Luxury Items (Jewelry, Cars)	Taxed based on value
Cosmetic Products	Excise duty based on price

Application for Excise Duty (Licensing), Issue, Suspension & Cancellation of Licence in Kenya

Manufacturers and importers of **excisable goods and services** in Kenya must obtain an **Excise Licence** from the **Kenya Revenue Authority (KRA)** before conducting business. The process is governed by the **Excise Duty Act, 2015** and the **Tax Procedures Act, 2015**.

1. Who Requires an Excise Licence?

The following businesses must apply for an **Excise Licence**:

- Manufacturers** of excisable goods (e.g., alcohol, tobacco, soft drinks, cosmetics).
 - Importers** of excisable goods.
 - Service providers** subject to excise duty (e.g., telecoms, betting, mobile money).
-

2. Application for an Excise Licence

A. Requirements for Excise Licence Application

An applicant must provide:

- ◆ Business registration documents (Certificate of Incorporation or Business Permit).
- ◆ KRA PIN Certificate.
- ◆ Valid tax compliance certificate.
- ◆ Premises location details (including a map/sketch).
- ◆ Proof of installed **Electronic Tax Stamps System (EGMS)** (if applicable).

B. Procedure for Applying for an Excise Licence

- ☐ **Log into iTax** and go to the **Excise Licence Application Portal**.
- ☑ **Fill in the application form** with business details.

- 3 Attach required documents (business registration, tax compliance, premises details).
- 4 Submit the application and wait for KRA review.
- 5 KRA will inspect the premises to verify compliance.
- 6 If approved, KRA will issue the Excise Licence electronically.

Processing time: Normally within **30 days** if all requirements are met.

3. Issuance of an Excise Licence

Once approved, KRA issues an **Excise Licence**, which:

- ✓ **Authorizes the holder** to manufacture, import, or supply excisable goods.
- ✓ **Specifies the premises** where production/storage takes place.
- ✓ **Is valid for one year** and must be renewed annually.

Excise Licence Renewal

- Renewed **annually** through iTax.
 - Applicant must maintain **tax compliance** and follow excise laws.
-

4. Suspension & Cancellation of Excise Licence

A. Reasons for Suspension of an Excise Licence

KRA may **suspend a licence** if the holder:

- ⊘ Fails to **comply with excise tax laws**.
- ⊘ Engages in **fraudulent activities** (e.g., tax evasion, fake excise stamps).
- ⊘ Fails to maintain **proper records** of excisable goods.
- ⊘ Sells excisable goods **without affixing tax stamps** (where required).

Suspension is **temporary** and may be lifted if the business corrects the issue.

B. Cancellation of an Excise Licence

KRA may **permanently cancel** an Excise Licence if:

- ✗ The business repeatedly **violates tax laws**.
- ✗ The licence holder **fails to rectify compliance issues** after suspension.
- ✗ The business **shuts down or changes its operations**.

If a licence is cancelled, the business **must stop trading immediately**.

5. Penalties for Operating Without an Excise Licence

Operating without an Excise Licence attracts:

- ⚠ **Fine of up to KES 1 million.**
- ⚠ **Seizure of goods and possible closure of the business.**
- ⚠ **Imprisonment of up to 3 years** for serious offences.

REFUND OF EXCISE DUTY

In Kenya, **Excise Duty Refunds** are processed by the **Kenya Revenue Authority (KRA)** under specific conditions. Here's a guide on how to claim a refund:

1. Eligibility for Excise Duty Refund

You may qualify for a refund if:

- ✓ **Goods are exported** – Excise duty is refundable on goods initially meant for local consumption but later exported.
 - ✓ **Erroneous payments** – If you paid excise duty by mistake or were overcharged.
 - ✓ **Manufacturing losses** – Some losses during production (e.g., breakage, spillage) may qualify for a refund.
 - ✓ **Exemptions & Special Cases** – If excise duty was paid on goods later classified as exempt.
-

2. Required Documents

To apply for a refund, you need:

- ✦ **Excise duty payment proof** (e.g., KRA receipts).
- ✦ **Export documentation** (for export cases, e.g., customs clearance forms).
- ✦ **Supplier invoices and purchase records** (for input verification).
- ✦ **Detailed claim letter** explaining why the refund is due.
- ✦ **Auditor's report** (in some cases, especially for manufacturers)

Excise Stamps and Excisable Goods Management System (EGMS) in Kenya

The **Excise Goods Management System (EGMS)** is a digital system introduced by the **Kenya Revenue Authority (KRA)** to regulate excisable goods, ensure tax compliance, and curb counterfeiting. It involves the use of **excise stamps** on products subject to excise duty.

1. What Are Excise Stamps?

Excise stamps are **tax stamps affixed to excisable goods** to verify that the required excise duty has been paid. They also help in tracking and tracing goods in the market.

Goods That Require Excise Stamps in Kenya

Excise stamps must be affixed to the following products before they are sold:

- ✓ **Alcoholic beverages** (beer, wines, spirits)
 - ✓ **Tobacco products** (cigarettes, cigars, shisha, etc.)
 - ✓ **Bottled water** and non-alcoholic carbonated drinks
 - ✓ **Energy drinks and juices**
-

2. What Is the Excisable Goods Management System (EGMS)?

EGMS is an **electronic tracking system** that monitors the production and sale of excisable goods. It ensures:

- ✓ Proper **tax collection** by KRA.
 - ✓ Prevention of **tax evasion** and illegal trade.
 - ✓ Protection of consumers from **counterfeit products**.
 - ✓ Efficient **monitoring of excise duty compliance**.
-

3. How Does EGMS Work?






☐ **Manufacturers and Importers Register** – Companies producing or importing excisable goods must register with KRA.

☑ **Excise Stamps are Issued** – KRA provides unique, trackable excise stamps for each product.

☑ **Stamping & Activation** – Stamps must be affixed to products and activated in the EGMS system.

☑ **Verification & Market Surveillance** – KRA conducts inspections using digital scanners to confirm authenticity.

5. Penalties for Non-Compliance




-  Failure to affix excise stamps or comply with EGMS regulations can result in:
-  Heavy fines and penalties
 -  Confiscation of goods
 -  Business closure or license revocation
 -  Legal prosecution under the Excise Duty Act

Excise Duty Returns and Payments in Kenya

Excise duty in Kenya is a tax imposed on specific goods and services, and businesses dealing in excisable goods must file returns and make payments to the **Kenya Revenue Authority (KRA)**.

1. Who Should File Excise Duty Returns?

Excise duty returns must be filed by:


-  **Manufacturers of excisable goods** (e.g., alcohol, tobacco, bottled water, soft drinks, energy drinks).
 -  **Importers of excisable goods** (e.g., motor vehicles, cosmetics, petroleum products).
 -  **Service providers subject to excise duty** (e.g., mobile money services, airtime, financial transactions).
-



2. How to File Excise Duty Returns

Step 1: Register for Excise Duty on iTax

- Log in to the **iTax portal** (<https://itax.kra.go.ke>).
- Ensure you have an **Excise Duty obligation** assigned to your PIN.
- If not registered, apply for an excise license.

Step 2: Generate the Excise Duty Return Form

- Go to the "Returns" menu and select **File Excise Return (EXC7 Form)**.
- Download the Excel-based template for Excise Duty Returns.
- Fill in details like:
 -  Taxpayer PIN

-  Type of excisable goods/services
-  Sales volume and excise duty due

Step 3: Upload the Completed Form on iTax

- Validate the EXC7 file and upload it on iTax.
 - Submit the return before the due date to avoid penalties.
-

3. How to Make Excise Duty Payments

Once the return is filed, follow these steps:

Step 1: Generate a Payment Slip

- Log in to iTax and go to the "Payment" menu.
- Select **Excise Duty Payment** and generate a PRN (Payment Registration Number).



Step 2: Pay via Bank or Mobile Money

- Use the PRN to pay through:
 - **Bank deposits** at authorized KRA partner banks.
 - **M-Pesa (PayBill 572572)** – Enter the PRN as the account number.



Step 3: Confirm Payment

- Download the payment receipt from iTax.
 - Keep payment records for audits or compliance checks.
-

4. Due Dates for Excise Duty Returns & Payments

-  **Filing Deadline: 20th of every month** for the previous month's transactions.
 -  **Payment Deadline:** Same as filing (20th of each month).
-

5. Penalties for Late Filing or Non-Compliance

-  Failure to file or pay excise duty on time results in:
 -  Late filing penalty – **Ksh 10,000 or 5% of tax due, whichever is higher.**

- ✘ Late payment penalty – **5% of the unpaid tax + 1% interest per month.**
- ✘ Business closure or legal action by KRA.