



**KENYA REVENUE
AUTHORITY**
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Office of the Commissioner General

Ref: KRA/5/1002/5(4089)

5th October 2020

Mr. Michael R. Sialai, EBS
Clerk of National Assembly
Parliament Building
NAIROBI

Dear *Michael,*

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 13 OCT 2020	
PAY.	
TABLED BY:	<i>LOMP Hon. Kinnyua, MP</i> <i>at. ONA</i>
CLERK-AT THE TABLE:	<i>RK Tiampeli</i> 6/10/2020

LEGAL NOTICE NO. 194 OF 2020 ON ADJUSTMENT OF EXCISE DUTY RATES FOR INFLATION IN LINE WITH SECTION 10 OF THE EXCISE DUTY ACT, 2015.

Section 10 of the Excise Duty Act, 2015 (the Act) as read together with **Paragraph 2(2) of the First Schedule** to the Act provides for adjustment of the specific excise duty rates to take into account inflation.

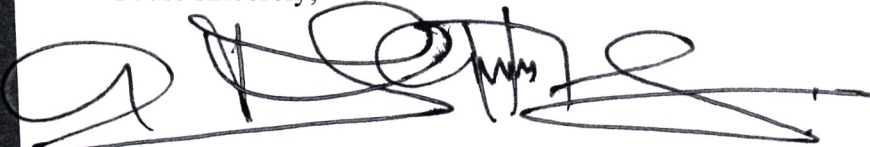
Kenya Revenue Authority (KRA) adjusted the excise duty rates in line with the average monthly rate of inflation for the 2019/2020 financial year as provided by the Kenya National Bureau of Statistics.

Prior to this adjustment and in adherence to **Section 5 of the Statutory Instruments Act** on requirement for consultation before making statutory instruments, KRA informed the public and relevant stakeholders of the intention to review the rates in a public notice published on **Monday, 24th August 2020**. We received feedback from various stakeholders including: manufactures and importers of excisable goods, tax consultants and business associations.

Further, KRA also held an online meeting with stakeholders (through webex platform) on **Thursday, 10th September 2020** to review their comments and the meeting was attended by key stakeholders in the sector.

Pursuant to **Section 11 of the Statutory Instruments Act** which requires that that a statutory instrument be transmitted to Parliament for tabling within seven sitting days after its publication, we hereby forward Legal Notice No. 194 of 2020 on the Adjustment of Rates for Inflation, gazetted on 2nd October 2020 together with the Explanatory Memorandum for tabling before Parliament.

Yours sincerely,



Githii Mburu
COMMISSIONER GENERAL

NATIONAL ASSEMBLY
RECEIVED
06 OCT 2020
CLERK'S OFFICE
P. O. Box 41842, NAIROBI

Tulipe Ushuru, Tujitegemee!





KENYA REVENUE AUTHORITY

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Office of the Commissioner General

② Head, Table office
to cease tabling
after registration
and refer to
committee.
Kindly also acknowledge
receipt.
9/10/20.

Ref: KRA/5/1002/5(4089)

5th October 2020

Mr. Michael R. Sialai, EBS
Clerk of National Assembly
Parliament Building
NAIROBI

Dear

Michael,

③ ML Please deal as directed i: ① Dad ②
① D L S P 12/10.

To register and
have them
tabled. ONA
6/10/2020

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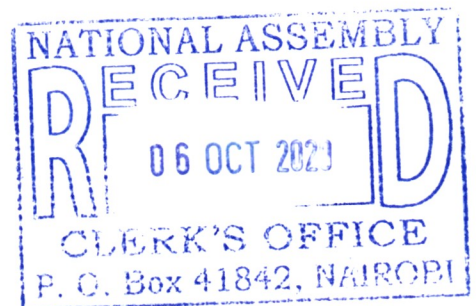
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Yours sincerely,

Githii Mburu
COMMISSIONER GENERAL



Tulipe Ushuru, Tujitegeme!



STAKEHOLDER COMMENTS ON THE PROPOSED INFLATION ADJUSTMENTS ON SPECIFIC RATES OF EXCISE DUTY

No.	Name of Stakeholder	Issue/Comment	Recommendation	Justification	KRA Comments
1.	Alcohol Beverages Association of Kenya (ABAK)	The Commissioner General is proposing to increase excise tax on all specific excisable goods by the average inflation rate for the last financial year 2019/20	The Commissioner General should not increase excise taxes on alcohol in the Financial Year 2020/21 to allow for the industry to recover from the negative impact of Covid-19	<ol style="list-style-type: none"> 1. The increase in excise tax on alcohol is ill advised and will negatively impact the alcohol industry value chain, which has been hardest hit by the restriction on public consumption of alcohol. 2. Excise differential in Kenya compare to Uganda and Tanzania shows that Kenya is charging 5 times higher excise tax on alcohol. 3. In the last two excise tax inflation adjustment increases effected by KRA, there was no growth in excise revenue collection for government on beer since consumption continues to be depressed due to consumer affordability. 4. In KRA's full year results, domestic excise and fuel tax collection declined by 6.4% and 1.4% respectively due to the declined consumer demand in excisable products. 5. Prices of alcoholic beverages has gone up due to the introduction of 25% excise duty on imported glass bottles, a tax that was 	<p>It is noted that all the stakeholders' comments are to the effect that the adjustment should not be done due to the effect of the Covid 19 pandemic on their businesses.</p> <p>Inflation adjustment is entrenched in the law. While KRA understands the concerns raised by the industry and is cognizant that there should be a balance between revenue collection and industry concerns, the law does to give discretion to the Commissioner on the adjustment of the rates.</p> <p>Furthermore, the government has already put in place various tax measures to cushion businesses and individuals against the negative economic effects of the pandemic such as:</p> <ul style="list-style-type: none"> • reduction of the corporate tax rate from 30% to 25%;

No.	Name of Stakeholder	Issue/Comment	Recommendation	Justification	KRA Comments
				<p>introduced in March 2020. Any additional excise tax increase would lead to another increase in consumer prices, making alcohol manufacturing uncompetitive in Kenya compared to our EAC counterparts.</p> <p>6. In this COVID-19 period affordability is paramount to consumers in light of the reduced disposable incomes. We have seen an increase in the illicit trade on alcohol in the last two (2) months due to affordability.</p> <p>7. In FY 2019/20, the Wine & Spirits category had a 20% excise duty increases coming in twice (July 2019 & November 2019). KRA is unable to meet its revenue targets for the industry due to the decreased competitiveness of the alcohol manufactured in Kenya.</p>	<ul style="list-style-type: none"> • reduction of VAT rate from 16% to 14%; • full tax relief for individuals earning up to Kshs. 24,000 per month; • reduction of the top rate for individual tax from 30% to 25%; • reduction of turnover tax applicable to both businesses and individuals was also reduced from 3% to 1%. <p>These measures have already had a significant impact on the government's revenue.</p>
2.	Kenya Breweries Ltd (KBL) and UDV (Kenya) Ltd (KBL/UDV) Distributors	The Commissioner-General is required under the Excise Duty Act, 2015 to adjust, annually, the excise duty rates of products with specific rates of excise duty, to take into account the rate of inflation. These perpetual annual increases are not feasible for the alcohol industry since they are driving the price of alcoholic beverages to unsustainably high levels which is encouraging the growth of illicit, with losses in revenue	KRA should write to National Assembly, requesting that the Commissioner General be allowed to provide a moratorium against increasing the current excise tax rates for the financial year 2020/2021 in view of the devastating impact of Covid-19 on the alcohol industry. This ensures the CG is within the law.	<p>a) Barley and Sorghum farmers will lose Kshs 1,221,000,000 and Kshs 809,042,000 respectively and over 32,421 farmers will lose their livelihoods. These farmers support on average 5 people so the compounding effect of their loss in income will impact over 162,105 livelihoods that depend on those farmers' earnings.</p> <p>b) With restricted sale of alcohol productivity in the alcohol industry remains depressed.</p> <p>c) Each of the 45,000 bars in Kenya employ on average 5 people, with</p>	

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		<p>to both alcohol industry and the government.</p> <p>This problem has manifested significantly during the Covid-19 period, when public consumption of alcohol has been prohibited as a measure to contain the spread of the virus.</p>		<p>average earning of Kshs 30,000. Therefore, approximately 225,000 jobs and Kshs 33.75 billion in employment income has been lost between April and August 2020 while public consumption of alcohol remains prohibited.</p> <p>d) Any increases in excise tax on alcohol undermines alcohol manufacturers' capacity for production and distribution of alcohol beverages which supports micro, small and medium enterprises.</p> <p>e) Increased tax will humper the industry's ability to further job losses, where individuals previously employed in bar, restaurants have already lost their jobs.</p> <p>f) Holding any excise tax increases for the next two years will allow manufacturers to focus on confidence and job restoration within the alcohol value chain starting from the farmers, considering reintegration process post covid-19 will be between 12 to 24 months.</p>	

No.	Name of Stakeholder	Issue/Comment	Recommendation	Justification	KRA Comments	
3.	Coca-Cola Beverages Africa Ltd (CCBA)	Inflation adjustment in respect to specific rates of excise tax as is done to ensure that the rate of tax moves in tandem with inflation. The principle assumes that the prices of the product increase with inflation. However, this is not always the case since as a business, it is difficult to take up price every year due to the dynamics of the market, the impact on the value chain and the capacity of the consumer which if not taken into consideration, will result into a significant decline in sales.	The Commissioner-General is required under the Excise Duty Act, 2015 to adjust, annually, the excise duty rates of products with specific rates of excise duty, to take into account the rate of inflation.	The Commissioner should halt adjustment for inflation in the year 2020.	1. The industry is yet to recover from the effects of the EGMS system implemented in November 2019 which required a significant capital injection to incur an additional excise stamp 2. Any further changes would result in job losses, and unwarranted hardship on people. 3. The economic challenges that COVID continue to present has resulted to a downward trend in performance of companies.	
4.	Kenya Association of Manufacturers (KAM)	The Commissioner-General is required under the Excise Duty Act, 2015 to adjust, annually, the excise duty rates of products with specific rates of excise duty, to take into account the rate of inflation.	KRA should not implement the proposed inflation adjustment rate on 1 st October 2020 until after Kenya is declared pandemic free and recovery of excisable goods manufacturers achieved.	KAM notes the following reasons: 1. Adverse impact of COVID-19 pandemic on businesses. 2. Declining excise tax revenue collections 3. Tax increases are not without limit. 4. Huge investments have already been made by new and existing manufacturers 5. Provides further incentive for illicit trade 6. Excise duty rate differential in the EAC 7. Inflationary adjustment is inconsistent with the spirit of Big 4 Agenda and post COVID-19 recovery		

No.	Name of Stakeholder	Issue/Comment	Recommendation	Justification	KRA Comments
5.	BAT Kenya	Inflation adjustment (estimated at 5%) will serve to magnify the negative impact of COVID-19 on sustainability of business and contribution to Government revenue.	KRA not to effect the proposed inflationary adjustment on 1 st October 2020	Cigarette market performance has been on a continual decline. There has been a significant drop in sales by 35% due to the COVID pandemic which has also impacted excise payments dropping by 20%. There is also a risk of growth in illicit cigarettes and resultant decline in government revenues. The Government needs to safeguard the viability of investment in local manufacturing	8. Undermining backward integration efforts by manufacturers with farmers 9. KRA did not provide the applicable rate to guide public participation submissions 10. Lack of clarity on effective dates creates more uncertainties 11. Inflation adjustment is in effect inflationary
6.	Cereal Growers Association (CGA)	The Commissioner-General is required under the Excise Duty Act, 2015 to adjust, annually, the excise duty rates of products with specific rates of excise duty, to take into account the rate of inflation	Kenya Revenue Authority stays the current excise duty regime and REFRAIN from making upward adjustments to the excise duty	Food inflation is one of the main drivers of overall inflation. In 2020, the inflation trend has sustained but is expected to be worse than in 2019 owing to the shocks that the country has experienced from desert locust invasion, floods, and the COVID-19 pandemic.	
7.	Kenya Agencies (KWAL) Wine Ltd	The Commissioner-General is required under the Excise Duty Act, 2015 to adjust, annually, the excise duty rates of products with specific rates of excise duty, to take into account the rate of inflation.	KRA not to effect the proposed inflationary adjustment on 1 st October 2020.	1. The economic challenges that COVID continue to present has resulted to a downward trend in performance of companies. 2. The industry is yet to recover from the effects of the EGMS system implemented in November 2019 which required a	

No.	Name of Stakeholder	Issue/Comment	Recommendation	Justification	KRA Comments
8.	Outlook Index Ltd	The impact of the adjustment will be devastating to our trade, derail our post pandemic recovery with increased unemployment, illicit brew consumption, loss of revenue for distributors and retailers who directly employ approximately 130,000 people and over 1,000,000 people indirectly.	Request KRA to maintain the current excise rates for alcohol given the effect of covid-19 containment measures which have resulted in the loss of 80% of our distribution channels.	<p>significant capital injection to incur an additional excise stamp.</p> <p>The reasons for the proposal:</p> <ol style="list-style-type: none"> 1. Loss of revenue for distributors and customers. 2. Reduced spending on alcohol 3. Increased illicit trade in alcohol 4. Increased fix cost for distributors and customers 5. Additional cost required for reopening bars and pubs 	
9.	Pubs Entertainment And Restaurants Association of Kenya (PERAK)	<p>Currently over 1.35 million jobs in the sector are on the line as a result of the current COVID-19 forced closure and we are working with the relevant ministries to restart the sector within the Tourism industry - with KSh 1 Trillion in annual revenues and KSh 400 billion in value chain cost potentially impaired as a result of the continued closure of our members' businesses, country wide.</p> <p>With the current proposal to adjust rates of excise duty, specifically for alcoholic beverages, the impact will further do more damage to our sector / industry players - who are the largest consumers (both as value chain players and our travellers who are consumers).</p>	Kenya Revenue Authority stays the current exercise duty regime and REFRAIN from making upward adjustments to the exercise duty.	<p>Negative impact on our members' businesses, livelihood and the greater impact on the health and well-being of all beverage consuming Kenyans.</p> <p>In addition, the switched preferences will result in:</p> <ol style="list-style-type: none"> a) An increase in the consumption of unregulated/illicit brews, which will lead to an increase in health complications; b) Gross national health bill arising from complications of drinking these un regulated/illicit brews will be on the upward trend / spiral. 	

No.	Name of Stakeholder	Issue/Comment	Recommendation	Justification	KRA Comments
10.	PricewaterhouseCoopers Limited (PwC)	<p>An increase in the excise duty will lead to an increase in price of ALL alcoholic products and the target market for these products will switch their beverage consumption preference.</p> <p>The KRA has proposed to increase excise duty rates in line with inflation trends.</p> <p>The proposal will lead to an increase in the cost of the affected goods. Consequently, increase in excise duty will result in price increases and lower demand for these products thereby reducing revenue collected by the government.</p> <p>In addition, increasing the excise duty rates will have adverse effects on the Government's Big Four agenda which includes promotion of the manufacturing industry.</p> <p>Adjusting excise duty rates to cater for inflation will lead to increased costs for manufacturers, reduced demand for products, scaling down of operations and loss of jobs by the Kenyan citizens.</p>	<p>The government should consider deferring this review of excise duty rates until the economic situation in the Country improves.</p> <p>This should help corporates in sustaining their businesses and protecting jobs.</p>	<p>This measure is not timely and does not consider the effects of the COVID-19 pandemic on the Kenyan citizens, businesses and the economy. These effects include:</p> <p>I. Loss of income due to closure of businesses such as the bars following Government directives to curb the spread of COVID-19;</p> <p>II. Manufacturers having to scale down operations owing to reduced demand for their products; and</p> <p>III. Reduced purchasing power by most Kenyan citizens owing to loss of jobs (7.48 million Kenyans have been affected by loss of jobs as per recent report by the Kenya National Bureau of Statistics).</p>	



**EXPLANATORY MEMORANDUM TO THE EXCISE DUTY ACT:
ADJUSTMENT OF RATES FOR INFLATION**

LEGAL NOTICE NO. 194 of 2020

PART I

Name of Statutory Instrument	: Adjustment of Rates For Inflation
Name of Parent Act	: Excise Duty Act, No. 23 of 2015
Enacted Pursuant to	: Section 10 of the Excise Duty Act, No. 23 of 2015
Name of the Ministry/Department	: Kenya Revenue Authority
Gazetted on	: 2 nd October 2020

PART II

1. Purpose of the Statutory Instrument

- 1.1. The objective of this Memorandum is to submit the Legal Notice No. 194 of 2020 for tabling in the National Assembly in accordance with the provisions of Section 11 of the Statutory Instruments Act.
- 1.2. The Legal Notice adjusts the specific rates of excise duty to take into account inflation in line with the requirements of the Excise Duty Act, 2015.

2. Legislative Context

The Legal Notice on Adjustment of Rates for Inflation is made pursuant to Section 10 of the Excise Duty Act, 2015 which empowers the Commissioner General of the Kenya Revenue Authority to make adjustments on the specific excise duty rates to take into account inflation in accordance with the formula that is specified in the Act.

3. Policy Background

- 3.1. The primary objective of the Legal Notice is to provide the legal instrument to enable the government implement the tax measures necessary for funding its economic development and growth agenda.



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- 3.2. Every year the cost of goods and services increase due to the dynamics within and outside the economy. This rate of increase in prices is known as the rate of inflation.
- 3.3. The Kenya National Bureau of Statistics (KNBS) under the National Treasury and Planning is responsible for determining and publishing both the monthly and annual rate of inflation. For the year 2019/2020, the average rate of inflation was determined as **4.94%** (1st July 2019–30th June 2020).
- 3.4. Excise Duty taxes charged on the basis of percentage (ad valorem) on the value of the goods will automatically increase as the price of goods increase (in essence it compensates for the price adjustment) and hence lead to maintenance of the real value of tax.
- 3.5. However, the same is not true for specific rates of tax which is a charge per unit of measure (e.g Kshs. 200 per litre of Spirit). In this case, when the price of goods increase, the excise duty rate remains constant and hence erodes the real value of the taxes.
- 3.6. In response to this, Parliament enacted Section 10 of the Excise Duty Act and Paragraph 2 of the First Schedule to the Act. These provisions provide for adjustment of the specific rates of excise duty every year to protect the value of duty from erosion by inflation.

4. Consultation Outcome

- 4.1. The Kenya Revenue Authority informed the public and relevant stakeholders of the intention to review the rates in compliance with the law and sought their comments on the same in a Public Notice published on **Monday, the 24th August, 2020** (*Copy attached*). We received feedback from various stakeholders including: manufactures and importers of excisable goods, tax consultants and business associations.
- 4.2. KRA also held an online meeting with stakeholders (through webex platform) on **Thursday, 10th September 2020** to further review their comments (*see attached copies of letters inviting stakeholders and the minutes of the meeting*). The meeting was attended by key stakeholders in the sector including among others, representatives from the Alcoholic Beverages Association of Kenya, Tobacco manufacturers, Cereal Growers Association and the Kenya Association of Manufacturers.



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- 4.3. It should be noted that the determination of the average inflation adjustment rates is a factual figure published by the KNBS and is available to the public. Therefore, neither the Commissioner General, nor the public have any discretion in changing the formula or the outcome of its application.
- 4.4. Please find attached the following documents: -
- a) Copy of Legal Notice No. 194 of 2020;
 - b) Letter from the KNBS indicating the average monthly inflation for the 2019/20 financial year as 4.94%;
 - c) The public notice issued calling for stakeholder comments on the draft Excise Duty Regulations;
 - d) Copies of letters sent to key stakeholders in the excise sector inviting them to attend the public participation forum to discuss the inflation adjustment and the minutes of the meeting; and
 - e) A summary of the feedback received during the public participation process and comments on the same.

5. Impact

The Legal Notice provides for an increase of 4.94% on the specific rates of duty on excisable goods listed in the First Schedule to the Act. It is expected that this adjustment will lead to an equivalent increase in tax revenue from the specified goods and thus protect the value of duty from erosion as a result of inflation.

6. Monitoring and review

The Legal Notice will be implemented by the Kenya Revenue Authority and will be operational for a period of one year in accordance with the law until the next inflation adjustment is done.

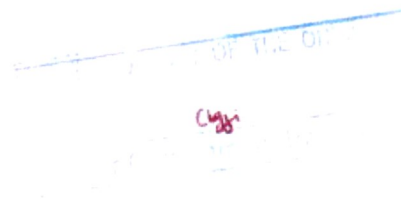
7. Request to the National Assembly

The National Assembly is invited to:

- a) Note the contents of this memorandum.
- b) Adopt Legal Notice No. 194 of 2020

8. Contact

Commissioner General,
Kenya Revenue Authority,
Times Tower Building – 30th Floor,
NAIROBI



SPECIAL ISSUE

2083

Kenya Gazette Supplement No. 173

1st October, 2020

(Legislative Supplement No. 107)

LEGAL NOTICE NO. 194

THE EXCISE DUTY ACT

(No. 23 of 2015)

ADJUSTMENT OF RATES FOR INFLATION

IN EXERCISE of the powers conferred by section 10 of the Excise Duty Act, 2015, the Commissioner-General adjusts for inflation the specific rates of duty set out in the Schedule hereto in accordance with the formula specified in Part 1 of the First Schedule to the Act with effect from the 1st October, 2020 and takes into account the average inflation rate for the 2019/2020 financial year of four decimal nine four per centum (4.94%).

SCHEDULE

<i>Tariff No.</i>	<i>Tariff Description</i>	<i>Current Rate of Excise Duty (KSh.)</i>	<i>New Rate of Excise Duty (KSh.)</i>
2709.00.10	Condensates per 1000 litres @ 20 deg. C	6,545.59	6,868.94
2710.12.10	Motor spirit (gasoline) regular per 1000 litres @ 20 deg. C	20,509.51	21,522.68
2710.12.20	Motor spirit (gasoline) premium per 1000 litres @ 20 deg. C	20,919.59	21,953.02
2710.12.30	Aviation spirit per 1000 litres @ 20 deg. C	20,919.59	21,953.02
2710.12.40	Spirit type jet fuel per 100 litres @ 20 deg. C	20,919.59	21,953.02
2710.12.50	Special boiling point spirit and white spirit per 1000 litres @ 20 deg. C	8,937.75	9,379.27
2710.12.90	Other light oils and preparations per 1000 litres @ 20 deg. C	8,937.75	9,379.27
2710.19.10	Partly refined (including topped crude) per 1000 litres @ 20 deg. C	1,524.68	1,600.00
2710.19.21	Kerosene type jet fuel per 1000 litres @ 20 deg. C	6,051.38	6,350.32
2710.19.22	Illuminating kerosene	10,835.70	11,370.98
2710.19.29	Other medium oils and preparations per 1000 litres @ 20 deg. C	5,572.95	5,848.25
2710.19.31	Gas oil (automotive, light, amber for high speed engines) per 1000 litres @ 20 deg. C	10,835.71	11,370.99

PROOF
 2 OCT 2020
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Tariff No.	Tariff Description	Current Rate of Excise Duty (KSh.)	New Rate of Excise Duty (KSh.)
2710.19.32	Diesel oil (industrial heavy, black, for low speed marine and stationery engines) per 1000 litres @ 20 deg. C	3,890.55	4,082.74
2710.19.39	Other gas oils per 1000 litres @ 20 deg. C	6,624.45	6,951.70
2710.19.41	Residual fuel oils (marine, furnace and similar fuel oils) of a kinematic viscosity of 125 centistokes per 1000 litres @ 20 deg. C	315.45	331.03
2710.19.42	Residual fuel oils (marine, furnace and similar fuel oils) of a kinematic viscosity of 180 centistokes per 1000 litres @ 20 deg. C	630.9	662.07
2710.19.43	Residual fuel oils (marine, furnace and similar fuel oils) of a kinematic viscosity of 280 centistokes per 1000 litres @ 20 deg. C	630.9	662.07
2710.19.49	Other residual fuels oils per 1000 litres @ 20 deg. C	630.9	662.07

Description	Current Rate of Excise Duty	New Rate of Excise Duty
Fruit juices (including grape must), and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	Shs. 11.04 per litre	Shs. 11.59 per litre
Bottled or similarly packaged waters and other non-alcoholic beverages, not including fruit or vegetable juices	Shs. 5.47 per litre	Shs. 5.74 per litre
Beer, cider, perry, mead, opaque beer and mixtures of fermented beverages with non-alcoholic beverages and spirituous beverages of alcoholic strength not exceeding 6%	Shs. 110.62 per litre	Shs. 116.08 per litre
Powdered beer	Shs. 110.62 per kg	Shs. 116.08 per kg
Wines including fortified wines, and other alcoholic beverages obtained by fermentation of fruits	Shs. 189 per litre	Shs. 198.34 per litre
Spirits of undenatured ethyl alcohol; spirits liqueurs and other spirituous beverages of alcoholic strength exceeding 6%	Shs. 253 per litre	Shs. 265.50 per litre
Cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes	Shs. 12,624 per kg	Shs. 13,247.63 per kg

<i>Description</i>	<i>Current Rate of Excise Duty</i>	<i>New Rate of Excise Duty</i>
Electronic cigarettes	Shs. 3,787 per unit	Shs. 3,974.08 per unit
Cartridge for use in electronic cigarettes	Shs. 2,525 per unit	Shs. 2,649.74 per unit
Cigarette with filters (hinge lid and soft cap)	Shs. 3,157 per mille	Shs. 3,312.96 per mille
Cigarettes without filters (plain cigarettes)	Shs. 2,272 per mille	Shs. 2,384.24 per mille
Other manufactured tobacco and manufactured tobacco substitutes; "homogenous" and "reconstituted tobacco"; tobacco extracts and essences	Shs. 8,837 per kg	Shs. 9,273.55 per kg
Motorcycles of tariff no.87.11 other than motor cycle ambulances and locally assembled motor cycles	Shs. 11,061.78 per unit	Shs. 11,608.23 per unit
Imported sugar confectionery of tariff heading 17.04	Shs. 20 per kg	Shs. 20.99 per kg
Imported white chocolates, chocolate in blocs, slabs or bars of tariff Nos. 1806.31.00, 1806.32.00, 1806.90.00	Shs. 200 per kg	Shs. 209.88 per kg

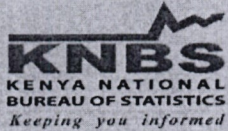
Dated the 25th September, 2020.

GITHII MBURU,
Commissioner- General, Kenya Revenue Authority.





KENYA NATIONAL BUREAU OF STATISTICS



P.O. BOX 30266
00100 Nairobi GPO, Kenya
Telephone: Nairobi 3317586/8, 3317612/22,
3317623, 3317651
Fax: 254-020-3315977
Email: directorgeneral@knbs.or.ke
info@knbs.or.ke
Website: www.knbs.or.ke

Reference No. KNBS /STAT/47

24th August, 2020

The Ag. Commissioner,
Strategy, innovation and risk management
Kenya Revenue Authority
P.O. Box 48240 00100
Times Tower Building
NAIROBI

Att: Njoroge A. K.

RE: AVERAGE MONTHLY INFLATION RATE FOR THE FINANCIAL YEAR 2019/20

This is in reference to your request for data Ref. KRA/SIRM/007 dated 17th August 2020.

The average monthly inflation rate for the financial year 2019/20 was **4.94** per cent. This number constitutes the 12 months moving average inflation for the period ending June 2020, and is computed using a historical series of Consumer Price Indices with February 2019 = 100 as the base month.

Robert Nderitu, OGW
For: **DIRECTOR GENERAL**



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Inflation Adjustment on Specific Rates of Excise Duty

PUBLIC NOTICES 24/08/2020

The Commissioner General is required under the Excise Duty Act, 2015 to adjust, annually, the excise duty rates of products with specific rates of excise duty, to take into account the rate of inflation.

Kenya Revenue Authority would therefore like to inform manufacturers and importers of excisable goods falling under the above category and members of the public that the Commissioner General will adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics. The adjusted rates will be effective from 1st October 2020.

In compliance with statutory provisions, Kenya Revenue Authority invites interested members of the public and stakeholders to submit their views on the excise inflation adjustment. The submissions should be addressed to the Commissioner General, Kenya Revenue Authority, P.O Box 48240-00100, Nairobi or emailed to: stakeholder.engagement@kra.go.ke to be received on or before Friday, 4th September 2020.

For further clarification and facilitation, please contact the Contact Centre on Tel: 020 4 999 999, 0711 099 999 or Email: callcentre@kra.go.ke

Commissioner General

Never miss a thing about KRA



Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Mr. Gordon Mutugi

Chairman

Alcoholic Beverages Association of Kenya (abak)

P.O.Box 59826-00100

NAIROBI

Dear Mr. Mutugi,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

The aforementioned notice called for stakeholders' views on the proposed adjustment as per the statutory provisions on Stakeholder participation. In this regard, KRA acknowledges having received your submission on the proposed adjustment.

In this regard, KRA invites you for a virtual meeting on **10th September, 2020** from **10.00am** to **12.00pm** to discuss the proposed adjustment.

The engagement will allow you to clarify your proposals on the proposed adjustments.

The meeting registration link is

<https://kra.webex.com/kra/k2/1.php?MTID=:71c022c5c833ac6a88ce9e8e28e6ed3c>.

Yours faithfully

Grace Wandera

Grace Wandera

Deputy Commissioner – Marketing & Communication



**KENYA REVENUE
AUTHORITY**
ISO 9001:2015 CERTIFIED

Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Mr. David Kilesi
Chairman
Barley Growers Association of Kenya
Nairobi

Dear Mr. Kilesi,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

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The meeting registration link is

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Yours faithfully

Grace Wandera

Grace Wandera
Deputy Commissioner – Marketing & Communication



KENYA REVENUE
AUTHORITY

ISO 9001:2015 CERTIFIED

Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Ms. Beverly-Spencer Obatoyinbo
Managing Director
British American Tobacco Kenya plc
P.O.Box 30000 - 00100
NAIROBI

Dear Ms. Obatoyinbo,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

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Yours faithfully

Grace Wandera
Deputy Commissioner – Marketing & Communication



KENYA REVENUE
AUTHORITY

ISO 9001:2015 CERTIFIED

Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Mr. Xavi Selga
Managing Director
Coca-Cola Beverages Africa (CCBA)
P.O. Box 18034-00500
NAIROBI

Dear Mr. Selga,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate

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Grace Wandera
Deputy Commissioner – Marketing & Communication



KENYA REVENUE
AUTHORITY

ISO 9001:2015 CERTIFIED

Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Mr. Anthony Kioko
Chief Executive Officer
Cereal Growers Association (CGA)
P. O. Box 27542 - 00506
NAIROBI

Dear Mr. Kioko,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

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Yours Sincerely,

Grace Wandera
Deputy Commissioner – Marketing & Communication



KENYA REVENUE
AUTHORITY

ISO 9001:2015 CERTIFIED

Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Mr. Eric Kiniti
Group Corporate Relations Director
Kenya Breweries Limited/ UDV (Kenya) Limited
P.O BOX 30161 00100
NAIROBI

Dear Mr. Kiniti,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

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Yours faithfully

Grace Wandera

Grace Wandera
Deputy Commissioner – Marketing & Communication



Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Ms. Phyllis Wakiaga
Chief Executive Officer
Kenya Association of Manufacturers (KAM)
P.O. Box 30225 - 00100
NAIROBI

Dear Ms. Wakiaga,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

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Yours sincerely

Grace Wandera
Deputy Commissioner – Marketing & Communication



**KENYA REVENUE
AUTHORITY**

ISO 9001:2015 CERTIFIED

Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Ms. Carole Kariuki, MBS
Chief Executive Officer
Kenya Private Sector Alliance (KEPSA)
P.O.Box 3556 – 00100
NAIROBI

Dear Ms. Kariuki,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

Following the statutory provisions requiring members of the public to give their views on the excise inflation adjustment, KRA has received feedback from the industry players some of whom are your members.

In this regard, KRA invites you for a virtual meeting on **10th September, 2020** from **10.00am to 12.00pm** to discuss the proposed adjustment.

The engagement will allow stakeholders to clarify their proposals on the proposed adjustments.

The meeting registration link is

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Yours Sincerely,

Grace Wandera
Deputy Commissioner – Marketing & Communication



**KENYA REVENUE
AUTHORITY**

ISO 9001:2015 CERTIFIED

Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Ms. Lina Githuka
Managing Director
Kenya Wine Agencies Ltd (KWAL)
P.O.Box 40550 - 00100
NAIROBI

Dear Ms. Githuka,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

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Yours faithfully

Grace Wandera
Deputy Commissioner – Marketing & Communication



Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Mr. Ben Gaithuma
Chief Executive Officer
Outlook Index Ltd
P.O.Box 4697 – 00506
NAIROBI

Dear Mr. Gaithuma,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

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Yours faithfully

Grace Wandera
Deputy Commissioner – Marketing & Communication



**KENYA REVENUE
AUTHORITY**
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Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Mr. Uyi Edokpolo
Ag. Chief Executive Officer
Pubs Entertainment and Restaurants Association of Kenya
P.O Box 34350-00100
NAIROBI

Dear Mr. Edokpolo,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

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Yours faithfully

Grace Wandera

Grace Wandera
Deputy Commissioner – Marketing & Communication



KENYA REVENUE
AUTHORITY

ISO 9001:2015 CERTIFIED

Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Mr. Maurice Mwaniki
Associate Director
PricewaterhouseCoopers Limited (PwC)
P O Box 43963 – 00100
NAIROBI

Dear Mr. Mwaniki,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

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Yours faithfully,

Grace Wandera
Deputy Commissioner – Marketing & Communication



Ref: KRA/M&C/SEEM/20/07/07

9th September 2020

Mr. Onesmus Mutembei
Tony West Limited
Naivasha Rd
Nairobi

Dear Mr. Onesmus,

**INVITATION TO INFLATION ADJUSTMENT ON SPECIFIC RATES OF EXCISE DUTY
DISCUSSION**

The Kenya Revenue Authority (KRA) on 24th August 2020 issued a Public Notice to announce its intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020. This is in accordance with the Excise Duty Act, 2015 where the Commissioner General is required to adjust annually, the excise duty rates of products with specific rates of excise duty taking into account the inflation rate.

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Yours sincerely

Grace Wandera
Deputy Commissioner – Marketing & Communication

**MINUTES OF THE STAKEHOLDER MEETING ON INFLATION ADJUSTMENT ON SPECIFIC
RATES OF EXCISE DUTY HELD ON 10TH SEPTEMBER 2020**

VENUE: VIRTUAL, WEBEX

TIME: 10.00AM TO 10.30AM

Present

No.	Industry Representatives		KRA Representatives
1	Mr. Eric Githua	1	Mr. Caxton Masudi - Chair
2	Mr. Eric Kiniti	2	Ms. Beatrice Mundia
3	Mr. Maurice Mwaniki	3	Mr. Jeremiah Kinyua
4	Mr. Peter Gombe	4	Ms. Anne Irungu
5	Mr. Reinhard Wanakacha	5	Mr. Ephraim Munene
6	Mr. Pawan Gehlot	6	Mr. Linstrom Kinoti
7	Mr. Bernard Ngondo	7	Ms. Lena Olum
8	Mr. Stephen Mutuguta	8	Mr. Leonard Cheserem
9	Mr. Joseph Opiyo	9	Ms. Julian Kondo
10	Mr. Anup Bid	10	Mr. Tobias Maurice - Secretary
11	Mr. Miti Ithiru		
12	Mr. Peter Thuku		
13	Mr. Jigar Bhavsar		
14	Dr. Simon Githuku		
15	Ms. Victoria Kaigai		
16	Mr. Allan Zavani		
17	Ms. Irene Opiyo		
18	Mr. Timothy Njagi		
19	Ms. Mary Mailu		
20	Mr. Philemon Kipkemoi		
21	Mr. Anthony Kioko		
22	Ms. Christine Muthui		
23	Mr. Paul Kimani		
24	Ms. Magdalene Kariuki		
25	Ms. Hannah Wanyoike		
26	Mr. Suleiman Ngondi		

27	Mr. Zach Munyi		
28	Mr. John Macharia		
29	Mr. Austine Mwinzi		
30	Ms. Susan Maingi		
31	Mr. Pushpinder Singh		
32	Mr. Robert Mutuma		
33	Mr. Geoffrey Karaba		
34	Mr. Onesmus Mutembei		
35	Ms. Ann Mputhia		
36	Mr. Tushar Mehta		
37	Mr. Rizwan Habib		

AGENDA

The agenda of the meeting was to deliberate on feedback from stakeholders in relation to KRA's proposal to adjust inflation on Specific Rates of Excise Duty.

MINUTES

These minutes document key issues discussed during the meeting and agreed way forward.

MIN 1/ 10/09/2020 INTRODUCTION

The meeting was a follow up engagement to discuss submissions by stakeholders on the proposed Inflation Adjustment on Specific Rates of Excise Duty following. On 24th August 2020 KRA issued a public notice announcing the Authority's intention to adjust the rates of excise duty using the average inflation rate for the financial year 2019/2020, as determined by the Kenya National Bureau of Statistics effective 1st October 2020 and sort stakeholders comments on the same. 10 stakeholders responded to the call and submitted their input as follows:

1. Alcohol Beverages Association of Kenya (ABAK)
2. Kenya Breweries Ltd (KBL) and UDV (Kenya) Ltd (KBL/UDV) Distributors
3. Coca-Cola Beverages Africa Ltd (CCBA)
4. Kenya Association of Manufacturers (KAM)
5. British American Tobacco(BAT) Kenya
6. Cereal Growers Association (CGA)

7. Kenya Wine Agencies Ltd(KWAL)
8. Outlook Index Ltd
9. Pubs Entertainment And Restaurants Association of Kenya (PERAK)
10. PricewaterhouseCoopers Limited (PwC)

Min 2/10/09/2020 SUBMISSION BY STAKEHOLDERS

1. Beverages sector

- I. The sector submitted that it has been struggling even prior to the COVID-19 pandemic due to the high tax rates citing that about 50% of the beverages retail price comprises of tax, with excise duty taking the bigger component of upto 30% . The industry cited that the high tax rates have made their products too expensive for consumers fuelling a demand for the alternatives which largely comprise of illicit products. As a result, there has been a proliferation of illicit products, which also has a negative impact on tax revenues.
- II. The sector observed that the Covid 19 pandemic has worsened the situation as the hospitality Industry, which serves a the large share of the market for beverages has been hardest hit with some players shutting down.
- III. The sector further observed that there is need to review the concept of annual inflation, as it is untenable in the long- run. It was proposed that there should be a ceiling to additions in taxes since the market cannot withstand regular additions.
- IV. KRA should therefore not effect the proposed adjustment

2. Alcoholic beverages sector

- I. The sector submitted that timing for the adjustment is wrong; the industry has been struggling a lot since the COVID-19 restrictions came into the country in March 2020. This has had a negative impact on sales and also revenue for the government. Any additional taxes will hurt the Industry further. With adjustment, illicit trade is bound to increase in the country since the neighbouring countries have cheaper rates than Kenya. This will hurt the economy even further. As well, retail outlets may have to shut down and livelihoods across the value chain will suffer.
- II. The sector pleaded with KRA to consider the adjustments the industry has made to support the government in the fight against Covid 19 including production of essential items such as sanitizers, and called upon KRA to reciprocate and support the sector.
- III. The sector therefore proposed that KRA should advise parliament to issue a moratorium to relax the adjustment of rates and allow the Industry to recover – this may be after about 24 months.

The industry noted that there is no other country that is increasing taxes in this hard economic times.

3. Cigarettes sector

- I. The industry submitted that inflation adjustment will magnify the negative impact of COVID-19 on sustainability of business and contribution to Government revenue. Given the Covid-19 circumstances the timing is not suitable for the adjustment, which is likely to kill the local Industry and promote illicit trade.
- II. The industry pleaded with KRA to advise parliament to issue a moratorium at least until the Industry recovers, noting that it has happened before in 2017, when the adjustment was put on hold due to the national elections.

4. Farmers (Cereal Growers Association)

- I. Farmers have been particularly hard hit by floods, locust invasion and the COVID-19 pandemic. Increase in excise will worsen the situation by disrupting the market, which is already struggling. As well, the sector noted that the timing is wrong, as Kenya like other economies globally is struggling.

5. Kenya Association of Manufacturers (KAM)

- I. On behalf of its membership, KAM submitted that KRA should stand in solidarity with the Industry, which has already made huge investments to keep afloat in the COVID-19 pandemic period. More spending in taxes will hurt the industry further, and promote illicit goods from neighbouring countries.
- II. KAM further submitted that inflation adjustment at this time is against the spirit in the call by the President to prepare an economy recovery strategy post Covid 19.
- III. An adjustment will negatively affect the entire value chain, eroding any efforts that might have been put in place to expedite economic recovery.
- IV. KAM called upon KRA to put on hold implementation of the inflation adjustment until full recovery of the economy.

Min 3/10/09/2020 FEEDBACK BY KRA

- I. Annual adjustment is entrenched in the law. However, KRA understands the concerns raised by the industry and is cognizant that there should be a balance between revenue collection and Industry concerns.
- II. The Authority will therefore review the submissions with National Treasury and together propose a workable solution .



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- III. The big picture of KRA's desire by working with the Industry is that it seeks voluntary compliance, therefore the industry should rest assured that the Authority cares and will seek for an amicable solution.

Min 4/10/09/2020 WAY FORWARD

KRA committed to work with the Industry and stressed that it has the industry concerns at heart. Industry players said they were ready to support the Authority in forwarding their concerns to Parliament.