



KENYA REVENUE AUTHORITY

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DL & P
4/1/19

The Clerk to the Committee on Delegated Legislation,
National Assembly of Kenya,
Nairobi.

PARLIAMENT OF KENYA LIBRARY

3rd January 2019

RE: LEGAL NOTICE NO. 239 OF 2018 ON ADJUSTMENT OF EXCISE DUTY RATES FOR INFLATION.

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 excise duty rates of items listed in the First Schedule to the Act to take into account inflation.

Pursuant to Section 11(2) of the Statutory Instruments Act, we hereby forward Legal Notice No. 239 of 2018 on the Adjustment of Excise Duty Rates, published on 20th December 2018, together with the Explanatory Memorandum for tabling before the National Assembly.

② Head, Table the
DO register, arrange
tabling and refer
to relevant committee
1/1/19


John Njiraini,
Commissioner General

CC:

Chairperson of the Committee on Delegated Legislation,
National Assembly of Kenya,
Nairobi

③ M. Mado,
Please process for
Tabling
11/2/2019

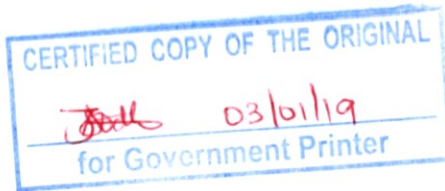
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Tulipe Ushuru, Tujitegemee!





SPECIAL ISSUE

3175

Kenya Gazette Supplement No. 155

20th December, 2018

(Legislative Supplement No. 75)

LEGAL NOTICE NO. 239

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 I of the First Schedule to the Act and takes into account the average inflation rate for the 2017/2018 financial year of five decimal two per centum (5.2%). Legal Notice No 164 of 2018 is revoked.

SCHEDULE

Tariff No.	Tariff description	Current rate of excise duty (Kshs.)	New rate of excise duty (Kshs.)
2709.00.10	Condensates per 1000 litres @ 20°C	6,225.00	6,548.70
2710.12.10	Motor spirit (gasoline) regular per 1000 litres @ 20°C	19,505.00	20,519.20
2710.12.20	Motor spirit (gasoline) premium per 1000 litres @ 20°C	19,895.00	20,929.50
2710.12.30	Aviation spirit per 1000 litres @ 20°C	19,895.00	20,929.50
2710.12.40	Spirit type Jet Fuel per 1000 litres @ 20°C	19,895.00	20,929.50
2710.12.50	Special boiling point spirit and white spirit per 1000 litres @ 20°C	8,500.00	8,942.00
2710.12.90	Other light oils and preparations per 1000 litres @ 20°C	8,500.00	8,942.00
2710.19.10	Partly refined (including topped crude) per 1000 litres @ 20°C	1,450.00	1,525.40
2710.19.21	Kerosene type Jet Fuel per 1000 litres @ 20°	5,755.00	6,054.20
2710.19.22	Illuminating kerosene per 1000 litres @ 20°C	7,205.0	7,579.60
2710.19.29	Other medium oils and preparations per 1000 litres @ 20°C	5,300.00	5,575.60

**THE NATIONAL ASSEMBLY
PAPERS LAID**

DATE: 27 FEB 2019 **DAY:** TUESDAY

TABLED BY: LEADER OF THE MAJORITY PARTY

CLERK-AT THE-TABLE: *[Signature]*

<i>Tariff No.</i>	<i>Tariff description</i>	<i>Current rate of excise duty (Kshs.)</i>	<i>New rate of excise duty (Kshs.)</i>
2710.19.31	Gas oil (automotive, light, amber for high speed engines) per 1000 litres @ 20°C	10,305.00	10,840.80
2710.19.32	Diesel oil (industrial, heavy, black for low speed marine and stationary engines) per 1000 litres @ 20°C	3,700.00	3,892.40
2710.19.39	Other gas oils per 1000 litres @ 20°C	6,300.00	6,627.60
2710.19.41	Residual fuel oils (marine, furnace and similar fuel oils) of a kinematic viscosity of 125 centistokes per 1000 litres @ 20°C	300.00	315.60
2710.19.42	Residual fuel oils (marine, furnace and similar fuel oils) of a kinematic viscosity of 180 centistokes per 1000 litres @ 20°C	600.00	631.20
2710.19.43	Residual fuel oils (marine, furnace and similar fuel oils) of a kinematic viscosity of 280 centistokes per 1000 litres @ 20°C	600.00	631.20
2710.19.49	Other residual fuel oils per 1000 litres @ 20°C	600.00	631.20

<i>Description</i>	<i>Current rate of Excise Duty</i>	<i>New rate of Excise Duty</i>
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. 10 per litre	Shs 10.50 per litre
Waters (excluding water of tariff No. 2201.90.00) and other non-alcoholic beverages not including fruit or vegetable juices	Shs. 5 per litre	Shs 5.20 Per litre

Beer, Cider, Perry, Mead, Opaque beer	Shs. 100 per litre	Shs 105.20 Per litre
and mixtures of fermented beverages with non-alcoholic beverages and spirituous beverages of alcoholic strength not exceeding 10%		
Powdered beer	Shs. 100 per kg	Shs 105.20 per Kg
Wines including fortified wines, and other alcoholic beverages obtained by fermentation of fruits	Shs. 150 per litre	Shs 157.80 per litre
Spirits of undenatured ethyl alcohol; spirits	Shs. 200 per litre	Shs 210.40 per litre
liqueurs and other spirituous beverages of alcoholic strength exceeding 10%		
Cigars, cheroots, cigarillos, containing tobacco or tobacco substitutes	Shs. 10,000 per kg	Shs 10,520 per Kg
Electronic cigarettes	Shs. 3,000 per unit	Shs 3,156.00 per unit
Cartridge for use in electronic cigarettes	Shs. 2,000 per unit	Shs 2,104.00 per unit
Cigarette with filters (Hinge lid and soft cap)	Shs. 2,500 per mille	Shs 2,630.00 Per mille
Cigarettes without filters (plain cigarettes)	Shs. 1,800 per mille	Shs 1,893.00 Per mille
Other manufactured tobacco and manufactured tobacco substitutes; "homogenous" and "reconstituted tobacco"; tobacco extracts and essences	Shs. 7,000 per kg	7,364.00 Per Kg
Motor cycles of tariff 87.11 other than motor cycle ambulances and locally assembled motor cycles	Shs. 10,000 per unit	Shs 10,520 per unit

Dated the 11th December, 2018.

JOHN NJIRAINI,
*Commissioner-General,
Kenya Revenue Authority.*





KENYA REVENUE AUTHORITY

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LEGAL NOTICE NO 239 OF 20TH DECEMBER 2018

EXPLANATORY MEMORANDUM TO THE NATIONAL ASSEMBLY ON THE EXCISE DUTY RATES ADJUSTMENT FOR INFLATION

Objective of the Memorandum

The objective of this Memorandum is to submit Legal Notice No 239 of 2018 for tabling before the National Assembly in accordance with the provisions of Section 11(2) of the Statutory Instruments Act.

Background of the Legal Notice

Section 10 of the Excise Duty Act, 2015 empowers the Commissioner General of the Kenya Revenue Authority to make adjustments on the specific excise duty rates in accordance with the formula that is specified in Part 1 of the First Schedule to the Act.

The specific rates under the First Schedule to the Excise Duty Act have not been adjusted since 2015 with the result that the current excise duty paid on the products listed therein do not reflect the effects of inflation.

Objective of the Legal Notice

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.

The cost of goods and services increase every year due to the dynamics within and outside the economy that affect their costs. This rate of increase in prices is known as the rate of inflation.

In Kenya, the National Bureau of Statistics under the National Treasury is responsible for determining and publishing both the monthly and annual rates of inflation. For the year 2016/2017, the average rate of inflation was determined as 5.2% (July 2017 – 30th June 2018).

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) thus maintaining the real value of tax. 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 thus eroding the real value of the taxes.



Tulipe Ushuru Tujitegemee !

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In response to this, Parliament enacted Section 10 of the Excise Duty Act together with Paragraph 2 of the First Schedule to the Act which provide for adjustment of the rates at the beginning of the financial year to protect the value of duty from erosion by inflation.

Financial implications

The Legal Notice provides for an increase of 5.2% on the specific rates of duty on excisable goods listed in Part 1 of 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.

Public Consultation

The Kenya Revenue Authority informed the relevant stakeholders of the intention to review the rates in compliance with the law and sought their comments on the same in a meeting held at Times Tower on Friday, 14th September 2018. Further engagement of stakeholders will be conducted for purposes of implementation immediately the Legal Notice is issued.

It is also important to note that the determination of the average inflation adjustment rates is a factual figure published by the Kenya National Bureau of Statistics 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.

Request to the National Assembly

The National Assembly is invited to:

- a) Note the contents of this memorandum.
- b) Adopt Legal Notice No. 239 of 2018

JOHN NJIRAINI
COMMISSIONER GENERAL