

FINANCE ACT 2025

AMENDMENTS TO THE EXCISE DUTY ACT.



The Finance Act, 2025 was assented to by the President on 26th June 2025 and is now in force. The Act introduces a wide array of tax measures through amendments to several key pieces of legislation, including the Income Tax Act (Cap. 470), Value Added Tax Act, 2013, Excise Duty Act, 2015, Tax Procedures Act, 2015, and the Miscellaneous Fees and Levies Act (Cap. 469C).

These changes are part of the Government's broader strategy to align Kenya's tax framework with current economic realities and evolving policy priorities. While most of the provisions take effect from 1st July 2025, a few notable measures are scheduled to come into operation on 1st January 2026.

This newsletter provides a breakdown of the key provisions of the Act and what they mean for you and your business.

Digital Lender

The Finance Act 2025 proposes key changes to the interpretation section of the Excise Duty Act (Cap. 472) to align it with evolving digital and manufacturing landscapes:

The term “digital lender” has been redefined to mean a person extending credit through electronic means, excluding:

- Licensed banks under the Banking Act;
- Registered SACCOs under the Co-operative Societies Act;
- Licensed microfinance institutions under the Microfinance Act.

This change narrows the scope of who qualifies as a digital lender, likely affecting excise tax obligations in fintech.

Digital Marketplace

The term “Digital marketplace” has been introduced and provides that a digital marketplace is an online/electronic platform that enables users to sell or provide goods, services, or property to other users.

Taxable Digital Services

The Finance Act 2025 has amended the Excise Duty Act to broaden the reach of excise duty to include services offered over the internet, through electronic networks, or digital marketplaces, not just those through defined “digital platforms.”

This means more digital services, including those by foreign providers, now attract excise duty.

For clarity, “non-resident person” has been defined to mean a person outside Kenya, formalizing tax obligations for foreign entities supplying digital services into Kenya.

Digital Service Providers

A critical change to the Excise Duty Act is that services consumed in Kenya, even if supplied by a company based abroad, will be deemed taxable in Kenya if accessed via the internet, an electronic network, or a digital marketplace.

This brings foreign streaming services, online learning, digital advertising, and similar providers squarely into Kenya’s excise duty net.

Micro Distillers

The Act has also been amended to include the definition of a microdistiller. This term has been defined as a manufacturer producing spirituous beverages through fermentation and distillation using a still not exceeding 1,800 litres, with a cap of 100,000 litres per year.

The Excise Duty Act has been further amended to exempt licensed microdistillers from costly compliance measures provided under Section 25, such as automation, continuous piping, and mass flow meters.

Instead, their production volumes will be tracked using excise stamps or other mechanisms prescribed by the Commissioner.

This targeted relief makes it easier for small-scale spirit manufacturers to enter the formal market while ensuring oversight remains.

Timeframe for Licence Issuance

Businesses applying for excise licenses can now expect quicker decisions; upon application as prescribed under Section 17 of the Act, the Commissioner must respond within 14 days of receiving all required documents.

This amendment enhances efficiency and transparency in the licensing process, making it easier for manufacturers and importers to plan operations.

Mandatory Licensing for Ethanol and Methanol Handling

Businesses that import, distribute, or handle methanol or ethanol in Kenya must now obtain a license from the Kenya Revenue Authority.

This amendment strengthens oversight over substances frequently misused in the production of illicit alcohol and imposes strict compliance requirements on businesses in the supply chain.

Changes in Duty Rates

Category	Item/Description	Key Change
Agriculture Imports	Imported eggs, onions, potatoes (incl. crisps, chips)	Excise removed
Plastics & Films	Self-adhesive, printed plastic films (Tariff 3919-3921)	Excise set at 25% or Kshs 200/kg, whichever is higher
Paperboard & Labels	Kraft paper (Tariff 4804), printed paperboard (Tariff 4811), labels (Tariff 4821)	Excise set at 25% or Kshs 50/kg (kraft) and 25% or Kshs 200/kg (others)
Alcohol Inputs	Extra Neutral Alcohol (undiluted spirits >90%)	New excise of Kshs 500/litre
Cosmetics	Tariff 3303-3307	Excise removed
Betting & Gaming	Amounts deposited to betting/gaming wallets	Excise reduced from 15% to 5%
Virtual Asset Services	Fees charged by virtual asset providers	New 10% excise duty introduced
Glass Products	Float, worked, insulating, and safety glass (Tariff 7005-7008)	35% or Ksh 500/sq. metre; new exemptions for registered processors
Construction Inputs	Aluminium profiles, fabricated windows/doors (Tariff 7604, 7608, 7610)	25% or Kshs 400/kg
Other Imports	Non-refillable lighters (Tariff 9613.10.00)	25% or Kshs 500/kg
Imported Tea	All imported tea (whether flavoured or not)	25% of excisable value
Green Tech Devices	Direct air capture machines	25% of excisable value
Exempt Supplies (Schedule II)	Defence Forces Welfare Services	Goods and services now fully exempt from excise

Whether you're unsure how the new excise duty rates impact your pricing, need clarity on exemptions and licensing changes, or require help navigating compliance for affected imports and manufacturing, contact us. We're here to help you adapt confidently and stay compliant.

CONNECT WITH US!



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