Tax Alert

July 2026

Kenya introduces new Excise Duty Remission Regulations effective 1 April 2026

Get in touch

Job Kabochi
Partner
Tax & Legal Services
job.kabochi@pwc.com

Maurice Mwaniki
Associate Director
Indirect Taxes
maurice.mwaniki@pwc.com

Joyce Oriedi
Senior Manager
Customs and International Trade
joyce.oriedi@pwc.com

Kenya has introduced the Excise Duty (Remission of Excise Duty) Regulations, 2026 (Legal Notice No. 61 of 2026) ("2026 Regulations"), effective 1 April 2026, establishing a revised framework for excise duty remission.

This follows a multi-phase policy shift, beginning with the Tax Laws (Amendment) Act, 2024, beyond beer and wine to include spirits.

The framework has evolved from a beer-specific regime under the Excise Duty (Remission of Excise Duty) Regulations, 2017 ("2017 Regulations") to a broader regime covering multiple product categories.

The 2026 Regulations expand excise duty remission opportunities beyond beer to qualifying spirits and wine, creating opportunities for manufacturers to enhance competitiveness while supporting local agricultural value chains.

They also introduce enhanced eligibility, compliance and traceability requirements, with a six-month transition period for existing beneficiaries to align with the new framework.

Validity and Effective Date

The 2026 Regulations are legally effective from 1 April 2026 upon publication. In line with Section 7(3A) of the Excise Duty Act, 2015, such Regulations take effect upon issuance and remain valid unless annulled by Parliament.

A 6-month transition period has been provided to enable existing beer

Kenya's excise duty remission framework has evolved from a beer-focused regime under the 2017 Regulations to a broader regime covering multiple product categories.

manufacturers already benefiting from remission to align with the new requirements.

Evolution of the framework

The 2017 Regulations applied exclusively to beer made from qualifying locally sourced agricultural inputs (excluding barley), with remission granted upon application.

Following the legislative extension of remission to spirits, the framework underwent a phased transition through two draft Regulations issued in 2025:

- The first draft was intended to amend the 2017 Regulations, introducing remission for additional product categories and key industry definitions;
- The second draft proposed to repeal and replace the 2017 Regulations, introducing a more structured framework, including clearer eligibility criteria and a defined approach to qualifying spirits based on Extra Neutral Alcohol (ENA), measured using alcohol by volume (ABV) thresholds.

These developments culminated in the 2026 Regulations, which repealed the 2017 Regulations and established a comprehensive framework. The 2026 Regulations establish a structured remission framework covering additional product categories, defined eligibility criteria, product classifications, and the application of remission to spirits based on ABV thresholds.

The framework also introduces enhanced compliance, monitoring and reporting requirements aimed at strengthening the administration of remission.

Overall, the framework has moved from a product-specific regime to a broader and more structured system.

The main comparative features between the 2017 and 2026 Regulations are summarized in the table below.

Feature	2017 Regulations	2026 Regulations
Scope of products	Beer only	Beer, spirits and wine
Key definitions	Not defined	Defines distiller and compounder
Remission rate	80%	80%
Eligible spirits	Not applicable	Distilled spirits (>90% ABV)
Compounder eligibility	Not applicable	Limited to cases where a licensed distiller compounds its own spirits, subject certain conditions including: • Must use ≥75% locally sourced agricultural inputs (excluding sugarcane and barley) • Products must carry prescribed remission labelling • Subject to minimum packaging of 250 millilitres • Subject to a maximum price of KES 500 per litre
Product exclusions	Beer made from barley	• Products made from sugarcane and barley • Spirits ≤90% ABV • Export/refund/rebate/drawback spirit products • Spirits for non-alcoholic beverage use
Local input requirements	≥75% locally sourced agricultural inputs (excluding sugar, barley)	≥75% locally sourced agricultural inputs (excluding sugarcane, barley)
Packaging requirements	Beer: ≥30 litres	Beer: ≥30 litres Spirits: ≥250 litres Wine: ≥1 litre
Pricing conditions	Beer: Max. KES 100 per litre	Beer: Max. KES 150 per litre Spirits: Max. KES 350 per litre Wine: Max. KES 750 per litre
Compliance requirements	• Tax compliance • Valid excise licence • EGMS • KEBS compliance	• Tax compliance • eTIMS/TIMS • Valid excise licence • EGMS • Flow meter • Remission labelling
Return	Monthly	Quarterly (including flow meter data)
Traceability requirements	Not explicit	Farmer and local sourcing traceability required
Non-compliance	Recovery of remission and penalties	Revocation of remission and full duty + penalties
Transition provisions	Not applicable	6-month transition from 1 April 2026

The comparison above highlights that the 2026 Regulations introduce a broader remission framework, extending coverage beyond beer to include spirits and wine, alongside defined eligibility criteria, product exclusions, and enhanced compliance requirements.

Businesses should assess how the new eligibility criteria align with their sourcing strategies, product portfolio, pricing models and operating structures.

Key considerations

As businesses begin implementing the new framework, the following areas may require closer attention:

1. **Local input requirements**
   The Regulations prescribe the use of qualifying locally sourced agricultural inputs, excluding specified inputs (e.g. sugarcane and barley), in determining eligibility for remission.

2. **Compliance requirements**
   The framework introduces additional compliance measures, including EGMS integration, flow meter installation, and expanded reporting obligations, which form part of the administration of remission.

3. **Systems and traceability requirements**
   The Regulations require farmer traceability and verification of local sourcing, alongside enhanced monitoring and reporting. In practice, this may involve engagement with multiple suppliers across the value chain.

4. **Structure of eligibility for spirits**
   Remission for spirits is defined by reference to ENA exceeding 90% ABV, and is primarily applicable to licensed distillers, including cases where a distiller compounds its own product under prescribed conditions.

5. **Commercial conditions**
   Eligibility is subject to packaging, pricing and local content thresholds, which form part of the prescribed criteria for remission.

These considerations are relevant across the value chain, from input sourcing and production through to pricing and distribution.

What this means for your business

The new framework creates opportunities for businesses across the alcoholic beverages value chain to access or continue benefiting from excise duty remission, particularly following the expansion of the regime to qualifying spirits and wine.

Businesses should assess how the new eligibility criteria align with their sourcing strategies, product portfolio, pricing models and operating structures. In particular, manufacturers should evaluate whether existing systems, processes and compliance frameworks are sufficient to support the enhanced monitoring and reporting requirements.

Early action will help businesses maximize available remission opportunities, manage implementation requirements and minimize potential excise duty exposures arising from non-compliance.

Conclusion and way forward

The 2026 Regulations represent a significant evolution of Kenya's excise duty remission framework, creating broader opportunities for qualifying manufacturers while introducing a more structured compliance environment. Businesses that take early steps to assess eligibility, strengthen compliance processes and align their operating models with the new requirements will be best positioned to realize the available benefits.

PwC is ready to work alongside businesses to assess opportunities, navigate implementation challenges and support compliance with the new framework.

www.pwc.com/ke