



# Tax Alert

December 2025

## Simplified compliance requirements and exemptions for Micro Distillers

### Get in touch

**Job Kabochi**

Partner

Tax and Legal services

[job.kabochi@pwc.com](mailto:job.kabochi@pwc.com)

**Maurice Mwaniki**

Associate Director

Indirect Taxes

[maurice.mwaniki@pwc.com](mailto:maurice.mwaniki@pwc.com)

**Emily Wayua**

Manager

Indirect Taxes

[emily.wayua@pwc.com](mailto:emily.wayua@pwc.com)

**Daniel Githitho**

Associate

Indirect Taxes

[daniel.githitho@pwc.com](mailto:daniel.githitho@pwc.com)

**The Finance Act 2025 ("FA 2025") amended the Excise Duty Act, Cap 472 ("EDA") to introduce a new category of manufacturer- the micro distiller, within the spirituous beverages sector effective July 2025.**

### Introduction

The enactment of the Finance Act 2025 ("FA 2025") amended the Excise Duty Act, Cap 472 ("EDA") to introduce a new category of manufacturer- the micro distiller within the spirituous beverages sector effective July 2025.

A micro distiller has been defined under Section 2 of the EDA as a manufacturer of spirituous beverages through two fundamental processes of fermentation and distillation, using a still (boiler) not exceeding

1,800 litres and whose annual production volume does not exceed 100,000 litres per year. Exceeding either the still (boiler) capacity or annual volume limit disqualifies an entity from micro-distiller status and subjects it to the stringent compliance requirements applicable to large-scale manufacturers.

This development establishes a statutory definition for micro distillers, sets production threshold and targeted exemptions from certain automation and monitoring requirements typically imposed on large-scale manufacturers.

**Manufacturers who qualify as micro distillers must obtain an Excise licence in the prescribed format before commencing production**

The change reflects a progressive tax policy designed to reshape entry and operating conditions for small-scale manufacturers to enhance their competitiveness in the market and streamline compliance for the players in this sector.

### **Compliance requirement for micro distillers**

Section 15 of the EDA prohibits undertaking excisable activities—including the manufacture of excisable goods and the importation, distribution, storage or handling of ethanol or methanol—without licensing or registration by the Kenya Revenue Authority (“Commissioner”). Accordingly, manufacturers who qualify as micro distillers must obtain an Excise licence in the prescribed format before commencing production.

Under Section 16 and the Excise Duty Regulations (“the Regulations”), applicants are required to lodge complete applications in the prescribed form and pay the prescribed fee.

For alcoholic beverages manufacturers, the Regulations require an application fee of KES

100,000 and security as specified by the Commissioner. FA 2025 introduced a 14 day timeline, running from the date on which all required documents are submitted, within which the Commissioner must grant or refuse an application for an Excise licence, thereby, reducing the previous administrative delays. Operating without a licence, manufacturing in unauthorised premises, or removing goods from excise control attracts severe penalties, including a penalty equal to double the Excise Duty payable or KES 5 million, whichever is higher.

To reduce compliance costs for micro distillers, the government introduced targeted reliefs under Section 25(2A) of the EDA for licensed micro distillers such as exemption from the requirement for automation, continuous piping, and the use of mass flow meters. Instead, the Commissioner will monitor production volumes through excise stamps or other mechanisms to be prescribed through a Gazette notice.

Micro distillers must therefore affix Excise Duty stamps to all applicable products and adhere strictly to stamping controls, including ensuring stamps are affixed before removal





**Offences related to Excise Duty stamps—including possession or trade in unstamped or counterfeit stamped excisable goods, acquiring or creating stamps without authority, and defacing stamps—carry criminal liability with fines and imprisonment**

from stamping areas, that goods for export or exempt deliveries are marked as directed and that any exceptional approvals granted by the Commissioner are strictly observed.

Stamp fees under the Excisable Goods Management System Regulations apply to spirits and other alcoholic beverages. By way of example, KES 1.50 per stamp for spirituous beverages not exceeding 10% applies.

Therefore, manufacturers should confirm the specific rate applicable to their product category and alcohol content under the EDA and related legislation. Offences related to Excise Duty stamps—including possession or trade in unstamped or counterfeit stamped excisable goods, acquiring or creating stamps without authority, and defacing stamps—carry criminal liability with fines and imprisonment.

Beyond licensing, micro distillers must comply with the monthly obligations under the EDA. These include filing Excise Duty returns and accounting for the Excise Duty by the fifth day of the succeeding month following

the month of removal of the goods from the stockroom. Records must be maintained for a statutory period of five years in line with Section 23(c) of Tax Procedures Act Cap469B (“the TPA”). Late submission of returns and late payment of tax attract penalties under the TPA up to five percent of tax due, plus interest at one percent of the tax due and payable per month.

### **Transitional considerations for existing manufacturers**

Prior to July 2025 there was no statutory distinction between micro and large-scale spirituous beverages manufacturers. Some small-scale manufacturers may therefore have installed automation, continuous piping or mass flow meters to meet the prevailing compliance requirements.

With FA 2025 now in force, manufacturers that qualify as micro-distillers may apply to the Commissioner for recognition or licence variation and upon approval, rely on the exemptions under Section 25 (2A) of the EDA. Our view is that



**Compliant micro distillers will benefit from enhanced capital efficiency while those lacking robust tax and operational controls may face heightened risk of non-compliance and operational disruptions**

until written approval is issued, existing controls—including any installed flow meters—should remain in place.

Where transition is permitted, manufacturers should maintain clear evidence of eligibility and comply with any conditions prescribed by the Commissioner. Stakeholders should also monitor any Gazette notices prescribing supplementary regulations.

The defined framework for micro distillers demands that tax compliance and operational control checks become critical to withstand enforcement scrutiny if they are to realise the benefits of the incentives to the sector.

## Conclusion

The shift from capital intensive automation and flow metering requirements to a more streamlined licensing and operational framework presents a pivotal opportunity for

growth to micro distillers. Compliant micro distillers will benefit from enhanced capital efficiency while those lacking robust tax and operational controls may face heightened risk of non-compliance and operational disruptions.

To fully benefit from the incentives micro distillers should confirm their eligibility against the statutory thresholds, regularise licensing, implement the use of Excise Duty stamps and engage proactively with the Commissioner on any licence variations and transitional approvals.

Our team of tax experts is ready to provide guidance navigating the compliance requirements with confidence. We are also available to support businesses in exploring available incentives that can be leveraged on.

Please feel free to contact your usual PwC contact or any of our tax experts listed herein should you wish to discuss this further.





**[www.pwc.com/ke](http://www.pwc.com/ke)**