



ISO 9001:2015 CERTIFIED

**DOMESTIC TAXES DEPARTMENT
GUIDELINES TO TAXPAYERS ON THE PROCEDURE FOR LICENSE
APPLICATION AND OPERATIONALIZATION OF MANUFACTURE OF
EXCISABLE GOODS UNDER CO-MANUFACTURE AGREEMENTS**

Reviewed by:

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Commissioner for Domestic Taxes

GUIDELINES TO TAXPAYERS

PROCEDURE FOR LICENSE APPLICATION AND OPERATIONALIZATION OF MANUFACTURE OF EXCISABLE GOODS UNDER CO-MANUFACTURING AGREEMENTS

The following guidelines are issued pursuant to Section 16, 17, 18, 27, 38 and 39 of The Excise Duty Act, 2015 and Regulations 3 to 7 and 13(6) of The Excise Duty Regulations 2020. These guidelines shall apply where parties intend to or have entered into co-manufacturing agreements in the manufacture of excisable goods. Parties to the agreement are required to apply for licensing under Section 15 of The Excise Duty Act, 2015 as prescribed below.

1. Co-manufacturing arrangements shall not be applicable in the production of alcoholic and tobacco products.
2. The Applicant who intends to manufacture excisable goods in more than one excise factory under a co-manufacturing agreement shall provide the Kenya Revenue Authority (KRA) with the co-manufacturing agreement and indicate in the application on iTax, all the factories where such manufacturing shall be conducted.
3. The Applicant shall ensure that the person(s) contracted to undertake part of the manufacturing process holds an excise license for the specific class of excisable goods they intend to manufacture in that other person's excise factory.
4. The parties engaged to undertake part of the manufacturing process for excisable goods must have an automated production line to enable visibility of the production process and the applicant shall avail the Stock Keeping Units (SKU) for each factory and the required documentation to enable approval of the submitted SKU.
5. The Commissioner shall review the application and if satisfied, carry out an inspection of all the factories indicated in the application.
6. During inspection, the applicant shall be required to demonstrate measures put in place to account for raw materials, intermediate goods, finished goods and wastages in all the factories. The Commissioner may prescribe additional controls to be complied with.
7. Where the Commissioner is not satisfied, the application shall be rejected on iTax with reason(s) for the rejection indicated thereon.
8. Where the Commissioner is satisfied that the applicant has met all the prescribed requirements, the application shall be approved and excise license issued on iTax indicating the class of goods to be manufactured and all the factories where the manufacturing process shall be conducted.

9. The applicant shall proceed to place forecast and orders for either paper stamps or digital codes depending on the Excise Goods Management System (EGMS) equipment at the excise factory.
10. Once the order has been approved and paid for, digital codes shall be added to the balance of the applicant for utilization and in the case of paper stamps, the applicant shall be required to arrange for stamp collection.
11. Before commencement of production of excisable goods of the applicant, the contracted manufacturer shall confirm in the EGMS that the applicant has sufficient excise stamps for the production.
12. The goods manufactured under the agreement shall be stored separately from those of the contracted manufacturer engaged to undertake part of the manufacturing.
13. The applicant shall notify the Commissioner through the email factorycontrol@kra.go.ke each time the excisable goods are removed from their factory to the contracted manufacturer's factory and from the contracted manufacturer's factory to the applicant's factory.
14. The contracted manufacturer shall provide a monthly account of all the quantities of excisable goods manufactured in their excise factory for other persons and shall be liable for any discrepancy in the inventory removed from excise control.
15. The applicant shall comply with the requirements for affixing excise stamps, record keeping and accounting for excise duty as prescribed in the law.
16. The parties to the agreements shall notify the Commissioner in writing in the event they cease manufacturing excisable goods under the agreement to ensure the details of the excise license are amended accordingly and enable decommissioning of the EGMS set-up.

COMMISSIONER FOR DOMESTIC TAXES