



KENYA SUGAR MANUFACTURERS ASSOCIATION

REINSURANCE PLAZA | OGINGA ODINGA STREET | P. O. BOX 7661 - 40100 KISUMU

| kesmakenya@gmail.com | Tel: 0792 024 890 | 0738 686 291

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The National Treasury and Economic Planning
P.O BOX 30007-00100
NAIROBI

Email: submissions@treasury.go.ke

"Advance copy by email"

Dear Sir,

RE: FINANCE BILL 2025 SUBMISSIONS

Kenya Sugar Manufacturers Association (KESMA), the apex body sugar manufacturers in Kenya, is a critical stakeholder in the sugar sub-sector in Kenya. We represent the majority of sugar manufacturers in Kenya with the mandate to enhance the sector, and advocate for the issues affecting the sugar sub-sector. The sugar-subsector is blazing the trail in the circular economy and we are currently, adding value to sugar by-products, producing high value products into the local and international market using wastes from production of sugar.

Mombasa Sugar Refinery Limited was set up because there was too much refined sugar coming into the country duty free and being diverted into the local market; the result of which was to destabilize the local sugar industry.

For Mombasa Sugar Refinery Limited to be viable, it is expedient to import raw sugar from the world market and refine it for the local market.

We therefore make the following proposals to facilitate the refinery of sugar in the country.

ISSUE	CURRENT SITUATION	PROPOSAL	JUSTIFICATION	EXPECTED OUTCOME
Reduce the threshold for 150% Investment allowance deduction	Paragraph 1A of the second schedule to the Income tax act provide for an investment deduction of 150% where cumulative investment value in the preceding three years outside Nairobi County and Mombasa County is at least KES 2 billion	The Kshs. 2 B is a high threshold and excludes many indigenous small and medium sized enterprises. We propose that this be reduced to KES 500M	Kenya is a developing country, with opportunities to grow the GDP by encouraging investments. The investment deduction at 150% will attract foreign direct investment	The companies will have better access to debt financing, hence more investments on machineries, and attracting foreign direct investments. This will in turn lead to more industrial sugar refineries, an increase in the domestic tax revenue, job creation in line with the Bottom-Up Economic Transformation



				Agenda, urban-rural migration, strengthening the foreign exchange rate and increased foreign direct investments.
ISSUE	CURRENT SITUATION	PROPOSAL	JUSTIFICATION	EXPECTED OUTCOME
Import Declaration Fee (IDF) and the Railway Development Levy (RDL) on raw and industrial sugar	Currently the IDF is charged at 2.5% and RDL at 1.5% of the custom value.	We propose this to be exempted for raw sugar imports.	The current IDF and RDL discourages for new entrants in industrial sugar refinery.	This will in turn lead to more industrial sugar refineries, an increase in the domestic tax revenue, job creation in line with the Bottom-Up Economic Transformation Agenda, urban-rural migration, strengthening the foreign exchange rate and increased foreign direct investments.
Excise duty on imported sugar (HS Code 1701.11)	Currently the excise duty levied on sugar is Kshs 7.50 per kg. excluding sugar imported by a registered pharmaceutical manufacturer and raw sugar imported for processing by a licensed sugar Refinery but excluding those originating from East African Community partners states that meet the East African Community Rules of origin.	We propose that the excise duty of Ksh.9.00 per kg be levied on imported sugar excluding sugar imported by a registered pharmaceutical manufacturer and raw sugar imported for processing by a licensed sugar refinery	There is a high demand for industrial sugar hence the high importation of industrial sugar. An excise duty exemption on sugar for licensed sugar refinery manufacturers will lead to more domestic production of industrial sugar.	An increase in the local production of industrial refined sugar will result to an import substitution on the product., This will in turn lead to more industrial sugar refineries, an increase in the domestic tax revenue, job creation in line with the Bottom-Up Economic Transformation Agenda, urban-rural migration, strengthening the foreign exchange rate and increased foreign direct investments.



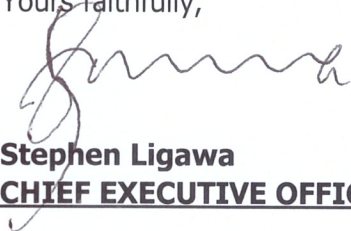
ISSUE	CURRENT SITUATION	PROPOSAL	JUSTIFICATION	EXPECTED OUTCOME
Excise Duty on Imported Sugar Confectionary	Currently the excise duty on imported sugar confectionary is KSH 85.82 per Kg but excluding those originating from East African Community partners states that meet the East African Community Rules of origin.	We propose that the excise duty be increased to KSH 100 per Kg	This will discourage the importation of the confectionary hence creating the demand for the local manufacturers.	An increase in the local production of industrial refined sugar will result to an import substitution on the product., This will in turn lead to more industrial sugar refineries, an increase in the domestic tax revenue, job creation in line with the Bottom-Up Economic Transformation Agenda, urban-rural migration, strengthening the foreign exchange rate and increased foreign direct investments.
Excise duty on imported industrial sugar (HS Code 1701.14.90) used for the manufacture of soft drinks, beverages, and luxury consumables	Currently the Ad valorem Duty Rate @ 100% & Specific Duty Rate @ USD 460 Per Ton Whichever is higher) specific excise duty levied on Industrial refined sugar is Kshs 7.50 per kg excluding sugar imported by a registered pharmaceutical manufacturer and raw sugar imported for processing by a licensed sugar	We propose an increase of the excise duty on imported industrial refined sugar used for the manufacture of soft drinks, beverages, and luxury consumables to Kshs. 20 per kg. excluding sugar imported by a registered pharmaceutical manufacturer and raw sugar imported for processing	There is a high demand for industrial sugar hence the high importation of industrial sugar. An increase in the excise duty on imported industrial sugar used for the manufacturer of luxury consumables will make the domestically produced industrial sugar more competitive, facilitating the increase in the local production.	An increase in the local production of industrial refined sugar will result to an import substitution on the product., This will in turn lead to more industrial sugar refineries, an increase in the domestic tax revenue, job creation in line with the Bottom-Up Economic Transformation Agenda, urban-rural migration, strengthening the foreign exchange rate and increased foreign direct investments.



	Refinery but excluding those originating from East African Community partners states that meet the East African Community Rules of origin.	by a licensed sugar refinery		
ISSUE	CURRENT SITUATION	PROPOSAL	JUSTIFICATION	EXPECTED OUTCOME
Work permit	Currently the work permit fee for prospective employees is Kshs. 500,000 per year.	We propose the work permit for prospective employees in the agro-based industries and agro-processing to be charged at Kshs. 100K per Year	The introduction of modernized agro-based plants requires specialized skills, that are currently limited in the country.	Issuance of work permits at an annual fee of Kshs. 100,000 will facilitate the importation of skilled labour in the areas that require special skills to operate the modern machineries in industrial sugar production that are limited in the country. These personnel will in turn transfer their skills to local professionals resulting in more local jobs created in line with the Bottoms-Up Economic Transformation Agenda.

Your cooperation in considering our above proposals which have immense merit will be very highly appreciated.

Yours faithfully,



Stephen Ligawa
CHIEF EXECUTIVE OFFICER

