



International Institute for Legislative Affairs

MEMORANDUM FOR HEALTH TAXES UNDER THE FINANCE BILL OF 2025 FOR THE FINANCIAL YEAR 2025/ 2026

SUBMITTED TO:

THE NATIONAL ASSEMBLY - THIRTEENTH PARLIAMENT

HEALTH TAXES: HEALTHIER POPULATIONS, WEALTHIER NATION

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MEMORANDUM ON HEALTH TAX ADJUSTMENTS FOR CONSIDERATION BY THE NATIONAL ASSEMBLY ON THE FINANCE BILL, 2025 (NATIONAL ASSEMBLY BILLS NO. 19 OF 2025)

Introduction

The International Institute for Legislative Affairs (IILA) is a not-for-profit organisation that works closely with policymakers, government departments, Members of Parliament, and other stakeholders in the policy and legislative process to draft and lobby for pro-people policies and legislation. Over the past, we have provided expertise in policy and legislative procedures in mental health, public health, tobacco control, alcohol control and road safety.

The problem

The burden of Non-Communicable Diseases (NCDs) is rising in Kenya, currently accounting for 39% of total deaths and more than 50% of hospital admissions in the country¹. This problem continues to place a strain on the healthcare system, further exacerbating the burden and challenges that the public and government face in accessing social health coverage. At the centre of the NCD epidemic, tobacco use is a key risk factor, causing more than 8,000 deaths in Kenya annually; yet this is one of the most preventable causes of disease and death.

Additionally, taxation is a cost-effective measure for reducing the consumption of tobacco products and the associated health effects while generating government revenue. Unfortunately, Kenya has not fully explored tobacco taxation as a public health intervention. Specifically:

- The tax rates on tobacco products are still low and fall below the recommended threshold by the World Health Organisation that taxes should form at least 70% of the price share of tobacco products. We are below 40%.
- Taxes on emerging nicotine products, such as oral nicotine pouches and electronic cigarettes, are much lower, yet these products are highly marketed to children and youth. Additionally, these products are a gateway to initiating the youth into smoking.
- Following the repeal of the inflation adjustment provision in the Excise Duty Act via the Finance Act of 2023², excise taxes on tobacco products are not adjusted to inflation, hence the value of the excise and price of

¹ <https://www.iccp-portal.org/sites/default/files/plans/Kenya-Non-Communicable-Disease-NCD-Strategic-Plan-2021-2025.pdf>

² https://kenyalaw.org/kl/fileadmin/pdfdownloads/Acts/2023/TheFinanceAct_No.4of2023.pdf

tobacco products becomes eroded over time, making the products affordable over time. This is dangerous as it erodes the efforts and essence of tobacco taxation as a public health measure.

We have noted that the Finance Bill 2025 does not have provisions on increasing tobacco taxes. Whereas we applaud and appreciate the government through the National Assembly and other entities for increasing tobacco taxes through the Tax Laws (Amendment) Act passed in December 2024, we still call for increased efforts to increase and strengthen tobacco taxation to progressively and effectively address the tobacco epidemic. By not increasing tobacco taxes this year, the government is losing the opportunity to generate the much-needed revenue while delaying action towards protecting public health, particularly the youth.

Our proposal

The increase of excise tax on tobacco products is considered the most effective way of addressing the tobacco epidemic, and a win-win-win strategy in that it leads to reduced consumption and associated health problems; it prevents initiation of non-users, hence protecting the youth from picking up the habit, and it provides an avenue for government revenue³.

We propose that:

- The government adopts a proactive approach to progressively increase tobacco taxes to reach, at a minimum, the recommended rate by the WHO
- The tax structure for emerging tobacco and nicotine products should be reformed and simplified to ensure effective administration, enforcement and to make the products less affordable
- The inflation adjustment component of excise taxes should be reinstated to ensure that the real value of tobacco excise taxes, prices and revenue is not eroded over time.

Call to action

Raising the price of tobacco by increasing excise taxes reduces consumption and saves lives, while generating revenue for the government. Yet, this policy measure is underutilised.

We therefore call on the government to protect the youth and save the next generation. Increase taxes on tobacco and nicotine products.

³ <https://www.who.int/activities/raising-taxes-on-tobacco#:~:text=WHO%20supports%20all%20its%20Member,excise%20to%20drive%20price%20increases>