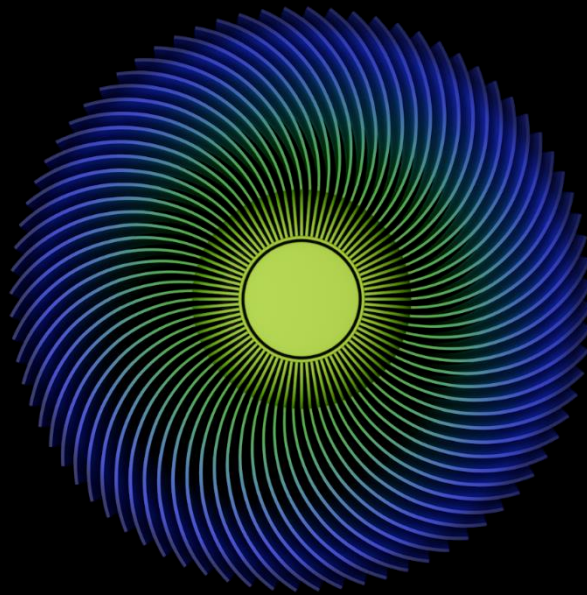


Tax & Legal Alert  
April 2023



## Tax Alert

### Manufacturers to account for a Standards Levy

The Kenya Bureau of Standards (KEBS) through a Public Notice published on 14 March 2023 notified all manufacturers to account for a Standards Levy (levy) of 0.2% of monthly turnover pursuant to the Standards Levy Order, 1990 (order).

The levy was introduced in Kenya through the order, which was gazetted by the Minister for Industry via Legal Notice No. 267 of 22 June 1990 and came into operation on 1 July 1990.

The order requires each manufacturer whose annual turnover exceeds KES 200,000 to pay KEBS a monthly levy recoverable at source at the rate of 0.2% of the ex-factory price in respect to manufacture during each month subject to a maximum of KES 400,000 per annum and a minimum of KES 1,000 per month. The levy is payable through the Kenya Revenue Authority (KRA) i-Tax platform (Standards Levy Account) on or before the 20<sup>th</sup> day of the succeeding month.

The Standards Act defines a manufacturer to include persons who produce, process, treat, install, test, operate and use. Persons who manufacture or intend to manufacture are required to notify the Managing Director (MD) for KEBS.

Manufacturers who fail to account for the levy within the prescribed timelines commit an offense and are liable to a penalty of 5% of the outstanding amount per month pursuant to Section 10B (3) of the Standards Act Cap 496.

## Background

The Standards Levy is a monthly levy charged by KEBS on all manufacturers in Kenya whose annual turnover exceed KES 200,000 at a rate of 0.2 % of the monthly turnover excluding VAT and discounts subject to a minimum of KES 1,000 monthly and maximum of KES 400,000 per year.

The levy was introduced in Kenya through the Standards Levy Order, 1990 that came into force on 1 July 1990.

The levy was introduced to support activities that facilitate fair trade and quality of life through Standards, Metrology, and Conformity Assessment (“SMCA”) services. The levy collected supports SMCA for quality, trade, and confidence for all Kenyan citizens.

## When to account for Standards Levy

Manufacturers are required to account for the levy on commencement of manufacturing. A registered manufacturer is required to pay the levy due by the 20<sup>th</sup> day of the month succeeding that of manufacture through the KRA i-Tax portal (Standards Levy Account).

## Who should account for Standards Levy?

All manufacturers whose ex-factory (selling price excluding VAT and discounts) manufacture exceeds KES 200,000 per annum are required to register with KEBS and account for the levy.

The Standards Act defines a manufacturer to include persons who produce, process, treat, install, test, operate and use. We have summarized some of the activities that fall under the ambit of manufacturing under **Appendix 1** as per the order.

## Registration requirement with KEBS

Persons who manufacture or intend to manufacture are required to notify the MD of KEBS. However, according to Regulation 4(2) of the order, failure to notify the MD does not exempt the manufacturer from paying the Levy.

Registration for the standard levy obligation is done via email ([standardslevy@kebs.org](mailto:standardslevy@kebs.org)). During registration, one is required to fill an SL1 application form, which is available on KEBS website and attach the requisite documentation (a copy of registration and valid PIN Certificate)

Where a registered manufacturer ceases to manufacture or is dormant, they shall apply in writing to the MD for cancellation of the registration.

## Record keeping

Every manufacturer is required to maintain complete records with dates of all transactions, which may affect their liability to pay the levy under the Standards Levy Order. The MD may request in writing for the records kept by the manufacturer.



## Penalties

Pursuant to Section 10B (3) of the Standards Act, if any person fails to pay the levy within the prescribed time, a penalty of 5% per month cumulative shall be imposed for each month the amount due remains unpaid.

Any person who is aggrieved by an act or decision under a Standards Levy Order may appeal in writing to the tribunal within 14 days of the notification of the act/decision.

## Conclusion

In a notice published by KEBS in March 2023, the scope of manufacturers was expanded to include tailoring, printing, publishing, screen printing, photocopying, and photographic studios, dry-cleaning, weaving, embroidery, and knitting among others.

The implementation of the levy could negatively impact the survival of the small and medium-sized enterprises given the added cost of compliance coupled with the increasing cost of doing business against the backdrop of economic shocks due to the COVID-19 pandemic and the Russia-Ukraine war.

Since the levy came into force on 1 July 1990, all qualifying manufacturers were required to account for the levy on their turnover related to manufacturing activities. The Finance Bill, 2000, appointed KRA as the collecting agent for the levy, all qualifying manufacturers are thus required to make the payment to KRA through the i-tax portal.

Based on the provisions of the law, KEBS may demand for the Standards Levy that was due from manufacturers for the period when the levy was in force.

All manufacturers that meet the annual turnover threshold should ensure compliance to avoid imposition of penalties.

*Should you have any questions about this alert, please reach out to any of the contacts below, contacts listed in the publication, or your Deloitte contact person.*



# Appendix 1

## Construction and Engineering

- Building and Civil Engineering/ general engineering.
- Carpentry and Joinery
- Electrical communication, installation, fitting and wiring.
- Painting renovation, fitting and vertical blinds.
- Plumbing and water proofing
- Sewers and drainage construction.
- Steelworks and fabrications.
- Steel plants, steam boilers and gas installation.
- Lift installation and elevators.
- Terrazzo works/Flooring.
- Partitioning and suspended ceilings installation.
- Quarry ballast, concrete blocks and non-metallic mineral products.
- Roofing contracts.
- Road construction, landscaping and excavation.
- Fire systems, installation and commission.
- Glazing
- Electronic communication/installation
- Electrical contractors
- Mining of semi - precious stones and materials
- Gemstone cutting, processing of gems and precious stones (Jewellery)
- Woodwork (carving, furniture and fixtures).
- Irrigation engineering.
- Drilling /bore hole contractors.
- Excavators & Back filling contractors.
- Saw millers.

## Textiles

- Tailoring
- Dry-cleaning
- Weaving, embroidery, spinning, knitting
- Cotton ginneries
- Dyeing
- Tanneries
- Sisal Processing
- Hides and Skins Processors
- Curtain material Processors
- Leather/fur Processing
- Footwear manufacturers
- MUB and EPZ factories

## Mechanical Engineering

- Crankshaft grinding
- Panel beating and Spray painting
- General repair and maintenance.
- Metal works
- Transport operators
- Motor cycle and bicycle assemblers and garages.
- Lift assemblers and maintenance firms

- Body builders
- CKD Owners
- Spare parts manufacturer/reconditioning /engravers
- General fabrication and aluminium metal works.

## Electrical Engineering

- Computer engineering installation, repair and maintenance.
- Data processing
- Software development
- Networking
- Power generation
- Telephone equipment wiring, installation and maintenance.
- Electrical rewinding and repairs.
- Cinematography
- Colour separation and processing i.e. studios.
- Advertising and sales promotion material design and production.
- Alarm installation and electric fencing.
- Air conditioning, refrigeration and ventilation.

## Food and Agriculture

- Beverages, alcoholic drinks processing.
- Pre-packaged foods
- Fresh produce/ pre-packaged foods
- Horticulture and flower firms
- Abattoirs (butcheries), meat processing firms
- Dairy Industry (Milk Processing)
- Animal fees
- Fish/sea foods products
- Jaggaries
- Coffee/tea processing
- Bakeries, confectioners and food compounders
- Millers – posho/grain.

## Chemicals

- Printing and publishing and screen printing
- Pulp, paper and paper board processors
- Petroleum, gas and coal products.
- Pain manufacturers
- Organic chemical and compounds, packing and prepacking of the same
- Glass products
- Chemical for spray products, pest control product
- Photocopying, photographic studios
- Water treatment and filtration works
- Agricultural chemicals, fertilizers packers and processors.

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