



# STRENGTHENING TOBACCO TAXATION IN KENYA

EVOLUTION,  
CHALLENGES, AND  
OPPORTUNITIES  
FOR REFORM

2026

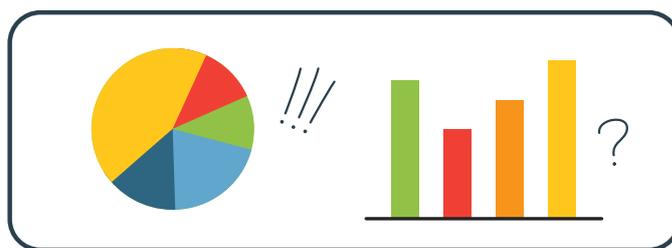
## Executive Summary

Tobacco use remains a preventable but persistent public health challenge in Kenya. It causes an estimated 12,000 deaths each year and contributes to rising rates of non-communicable diseases, including cancer, cardiovascular disease, and chronic respiratory illness. These conditions place increasing strain on the health system and impose substantial costs on households through medical expenses, lost income, and reduced productivity. In 2021, tobacco use was estimated to cost the Kenyan economy between \$544.4 and \$756.2 million. Many tobacco-related deaths occur during individuals' most economically productive years, undermining household welfare and slowing national development. Reducing tobacco use is therefore both a public health priority and an economic imperative.

Tobacco taxation is widely recognised as the single most effective measure to reduce smoking, particularly among young people and low-income populations who are most sensitive to price changes. Higher prices

discourage initiation, encourage quitting, and reduce overall consumption, thereby improving public health. At the same time, tobacco excise taxes provide governments with revenue that can support essential public services, including health, education, and social protection.

This report reviews the evolution of tobacco taxation policy in Kenya, analysing key milestones, policy reforms, challenges, and opportunities from 1993 to 2025. It then makes recommendations for the next 5 years based upon the Tobacco Excise Tax Simulation Model (TETSIM). In Kenya, excise taxes—levied either as ad valorem (value-based) or specific (quantity-based) rates—form the backbone of tobacco taxation, supplemented by VAT and import duties. Over the past three decades, Kenya's tobacco tax system has undergone numerous shifts:



- **1993–2007** - Tiered ad valorem and specific excise tax systems, with frequent changes and complexity, leading to loopholes and under-declaration.
- **2007–2015** - Experiments with hybrid and tiered systems combining retail selling price (RSP) and physical product characteristics; repeated policy reversals undermined consistency.
- **2015–2017** - Introduction of a uniform specific tax aligned with WHO best practices, later reversed to a two-tier system in 2017 under industry pressure, weakening public health gains.
- **2019–2024** - Regular inflationary tax adjustments and progressive excise increases, including taxes on e-cigarettes and liquid nicotine, bringing Kenya closer to international benchmarks.

Despite reforms, the tax system remains vulnerable to industry influence. Kenya's overall cigarette tax performance over time (2014 and 2024), as measured using the Tobacconomics Tax Scorecard indicates a deteriorating trend. In the 2024 Scorecard, Kenya's overall score was 1 out of 5. This score is below the regional, global and income group averages. In particular, Kenya scored poorly in affordability change and tax share in retail price. This indicates that there is room to improve the overall tax structure

by increasing the tax rate, the tax share of price and reducing affordability.

A legislative review highlights Kenya's alignment with the WHO Framework Convention on Tobacco Control (FCTC), particularly Article 6, but also reveals gaps, especially regarding novel products like e-cigarettes. Weak definitions, insufficient taxation of non-nicotine e-liquids, and poor enforcement remain concerns.

## Key Issues Identified

- Frequent policy changes and reversals undermine public health objectives.
- Complex and tiered tax systems have created loopholes and opportunities for tax avoidance.
- Weak tax administration, low percentage tax increases and insufficient inflation and income adjustments that do not meet either public health or revenue goals.
- Inadequate taxation of novel tobacco products (e-cigarettes, liquid nicotine).
- Strong industry lobbying influencing tax policy.
- Poor coordination between health, finance, and trade ministries on the one hand and parliament on the other.
- Weak political awareness about the health and revenue benefits of strong tobacco taxation.

## Key Recommendations

1. Simplify the tax structure through a legislative adoption of a uniform, specific excise tax with regular adjustments for inflation and income growth.
2. Implement regular tax increases of between 30% to 50% per year with adjustments for inflation and income growth for the next five years for a meaningful impact as demonstrated in the TETSIM modelling scenarios.
3. Strengthen tax administration by improving monitoring, enhancing compliance mechanisms, and applying appropriate customs codes to prevent illicit trade and under-declaration.
4. Enhance taxation of novel tobacco and nicotine products using clear legal definitions.
5. Prioritise public health over short-term economic concerns, consistent with Kenya's commitments under the FCTC and the Sustainable Development Goals (SDGs).
6. Foster stronger collaboration between the ministries of health, finance, and trade to harmonize fiscal and health policies.
7. Develop national guidelines and research to depoliticize tobacco tax debates.
8. Build partnerships with civil society and international organizations to generate political will for long-term tax reform.

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# 1. The evolution of tobacco taxation in Kenya

## 1.1 Introduction

**Tobacco use remains a preventable but persistent public health challenge in Kenya. It causes an estimated 12,000 deaths each year and contributes to rising rates of non-communicable diseases, including cancer, cardiovascular disease, and chronic respiratory illness.**

These conditions place increasing strain on the health system and impose substantial costs on households through medical expenses, lost income, and reduced productivity. In 2021, tobacco use was estimated to cost the Kenyan economy between \$544.4 and \$756.2 million. Many tobacco-related deaths occur during individuals' most economically productive years, undermining household welfare and slowing national development. Reducing tobacco use is therefore both a public health priority and an economic imperative.

This section discusses the evolution of tobacco taxes in Kenya with a focus on more recent experiences. Taxation on tobacco products serves mainly to curb consumption, enhance public health outcomes, and boost government revenues. Raising taxes increases the retail prices of these products, making them less accessible to consumers. This strategy aims to discourage people from starting to smoke and to motivate current smokers to quit, ultimately helping to lower the burden of tobacco-related illnesses and deaths. Evidence from low- and middle-income countries indicates that a 10 per cent rise in cigarette prices typically results in about an 8 per cent reduction in demand. Nonetheless, for tobacco taxes to achieve their full potential, they should be implemented alongside broader tobacco control measures, including efforts to combat illicit trade and reduce socioeconomic inequalities.

Excise taxes are the main tax levied on tobacco and their key structure and types are highlighted in Box 1. Other taxes

commonly levied on tobacco include the value-added taxes (VAT), general sales taxes, and duties on tobacco product imports and/or exports. For a long time, Kenya has had a somewhat intricate excise tax system for tobacco products.

### Box 1: Tobacco Excise Tax Structures and Key Types

As for excise taxes, the types of excise taxes levied on tobacco are either **ad valorem taxes** or **specific taxes**. *Ad valorem taxes are levied on the value of the product* (e.g., a percentage of the cost, insurance, and freight (CIF) or the ex-factory price). *Specific taxes are charged based on quantity* (e.g., KES 1,200 per 1,000 cigarettes). The excise taxes can further be **uniform** or **tiered**. *Uniform excise tax rates are applied to tobacco products at the same rate, regardless of the different characteristics that may apply to them* (price level, size, type of packaging, with or without filter, etc.). Uniform taxes can be either specific or ad valorem taxes. On the other hand, a *tiered excise tax varies based on factors such as price, cigarette length, the presence of a filter, or a manufacturer's productive capacity*. A tiered tax can apply to both specific and ad valorem excise taxes.

## 1.2 Evolution of tobacco taxation

**In the period leading up to 1993, Kenya had an ad valorem excise at the rate of 130 per cent of the ex-factory price of tobacco products.**

In 1993, a new tiered specific tax regime based on a banded retail selling price (RSP) was introduced and stayed in force until 2007. In this period, there were only minor adjustments in the tax rate in certain price bands. For instance, in the mid-1990s, cigarettes not exceeding 72mm in length were taxed at 120 per cent, while longer cigarettes faced a 140 per cent tax rate. This system categorized cigarettes into different tiers based on their retail selling price (RSP), with each tier subjected to a specific tax rate. The tiered approach aimed to simplify tax administration and reduce opportunities for tax evasion. Despite these efforts, the tiered system introduced complexities and potential loopholes that the tobacco industry could exploit, such as under-declaration of product values.

Recognizing these issues, the government undertook further reforms post-2007,

including the introduction of paper tax stamps and enhanced monitoring mechanisms to combat illicit trade and improve compliance.

Between 2007 and 2015, the government applied various models of a tiered tax system, where excise tax rates were determined based on both the physical characteristics of cigarettes and their retail selling price (RSP). Specifically, during the period from 2007 to 2011, the Kenyan government experimented with different approaches within this tiered excise system, using these same criteria—physical features and RSP—to set tax rates. The period from 2012 saw significant shifts aimed at simplifying the tax structure but also highlighted challenges in policy consistency.

- (i) In the Finance Bill 2007, a proposal to Parliament to amend the tax structure from RSP to one based purely on packaging characteristics was overturned by Parliament, which instead reinstated the earlier tax structure based on RSP.
- (ii) In 2008, the Treasury amended the tax structure from pure RSP to a hybrid system based on both RSP and packaging characteristics, with the latter being predominant. However, an attempt by Parliament to return to a tax structure based only on RSP led to a compromised structure, which was predominantly based on packaging characteristics of the cigarettes.
- (iii) In 2010, the Kenyan Parliament revised the cigarette excise tax structure, reintroducing a tiered system based on the retail selling price (RSP) of cigarettes. This approach categorized cigarettes into different price bands, each attracting a specific tax rate. Additionally, a 16 per cent Value Added Tax (VAT) on the producer price and a 30 per cent import duty on the cost, insurance, and freight (CIF) value of imports from outside the East African Community (EAC) were applied. While these measures aimed to balance revenue generation with public health objectives, the frequent changes and inherent complexities posed significant challenges to effective tobacco control.

The period from 2012 through 2017 saw significant shifts aimed at simplifying the tax structure.

(iv) In 2012, the government, in an attempt to simplify the four-tier structure, introduced a single-tier excise tax system through the Finance Act of 2012, setting a rate of KES 1,200 per 1,000 cigarettes or 35 per cent of the retail selling price, whichever was higher. This move aimed to streamline the tax structure and reduce opportunities for tax avoidance. Additionally, the Act allowed for automatic adjustments to the tax rate to account for inflation, ensuring the real value of the tax was maintained over time.

(v) In 2015, further efforts to simplify the tax system were made with the Excise Duty Act of 2015, which proposed a uniform specific excise tax rate of KES 2,500 per 1,000 cigarettes. In addition, the taxes were adjusted annually for inflation and a tax on e-cigarettes was introduced. As a result of this tax change, the prices of tobacco products increased. This brought Kenya's tobacco tax policy in line with the best practices recommended by the World Health Organization (WHO). The finance minister justified this reform by stating in part that this was to "...deepen tax administration reforms and ease compliance."

(vi) However, in April 2017, the government reverted to a two-tier specific excise tax system, ostensibly to cushion economy brands and, by extension, lower-income consumers. This structure set a tax rate of KES 2,500 per 1,000 filtered cigarettes and KES 1,800 per 1,000 unfiltered cigarettes. While this approach presumably aimed to protect certain market segments, it also introduced complexities that could incentivize consumers to switch to cheaper brands rather than quitting, potentially undermining the gains made earlier and public health objectives. This change came in the wake of heavy lobbying by the tobacco industry.

(vii) In the 2017/18 Budget Speech, the government appeared to shift away from its earlier position by reinstating a two-tier excise tax system. This decision was presented as a measure to shield local cigarette manufacturers from the negative financial impacts of declining market share and to promote "fairness and equity within the tobacco sector while safeguarding employment." The previously uniform tax regime was criticized as

being “unfair” and was seen as a factor contributing to reduced demand for locally produced lower-priced cigarettes. However, this policy reversal underscored the importance of aligning Kenya’s tobacco taxation policies with its commitments under the WHO Framework Convention on Tobacco Control (FCTC), which the country has ratified. The FCTC obliges Kenya to “consistently and significantly lower tobacco use and exposure to tobacco smoke.” Additionally, protecting public health is vital for advancing progress toward the Sustainable Development Goals (SDGs), to which Kenya is a signatory.

These policy reversals — particularly the 2017 reintroduction of the two-tier tax structure — highlighted the urgent need for continual sensitization of government policymakers and bureaucrats on the public health and economic benefits of strong tobacco taxation measures. In addition, strengthening inter-ministerial coordination between the ministries of health, finance, and trade is essential to ensure that health objectives are not undermined by short-term economic considerations. Developing clear national guidelines that prioritize public health in fiscal policy, backed by evidence-based research, can help depoliticize tobacco taxation debates. Finally, building stronger advocacy partnerships with civil society and international agencies can create the political will needed to sustain tobacco tax reforms over the long term.

From 2019 to 2024, Kenya implemented regular tax increases on tobacco products to support both public health goals and revenue generation (see Table 1). These adjustments were largely driven by inflation and ongoing regulatory reforms.

(viii) In 2019, taxes on tobacco rose by 14.1 per cent, followed by inflationary increases of 4.94 per cent in 2020 and 4.97 per cent in 2021. During this period, tax administration was simplified through more targeted rate adjustments, which helped standardize taxation, strengthen product regulation, and improve the management of illicit trade. These reforms were aligned with Kenya’s commitment to adopting international tobacco control best practices.

(ix) In July 2022, taxes increased by 10 per cent for filtered and non-filtered cigarettes.

In addition, an inflationary adjustment of 6.3 per cent took effect on 1st October 2022.

(x) In 2023, the government suspended the annual inflation adjustment on specific excise taxes to enhance predictability for manufacturers and consumers.

(xi) In 2024, progressive tobacco excise tax rates were introduced through the Tax Laws (Amendment) Act, which took effect on December 27, 2024. Under this reform, the excise tax on both filtered and unfiltered cigarettes was set at KES 4,100 per mille, while liquid nicotine was taxed at KES 100 per millilitre.

(xii) As of 2025, the tax system is still based on two tiers (filtered and unfiltered cigarettes), although taxed at the same rate of KES 4,100 per mille adopted in December 2024. Cigars, cheroots, cigarillos, and e-cigarettes are taxed at a separate rate.

To ensure that cigarettes become less affordable over time, some countries make regular adjustments to specific excise taxes. At a minimum, these adjustments should account for the effect of inflation. These tax adjustments may also take into account income trends and, at times, an additional exogenous tax increase to raise the prices of tobacco products.

Overall, between 2003 and 2025, Kenya’s tobacco excise tax system has remained largely detailed, limiting its effectiveness in curbing tobacco consumption and achieving public health objectives (Table 1). Frequent amendments to the Excise Duty Act, often introduced through annual budget statements, have added layers of complexity that make consistent implementation and enforcement difficult for tax administrators. This constant flux has contributed to a perception of policy instability among key stakeholders, including policymakers, public health advocates, and industry players. Studies such as Nargis et al. (2015), Chaloupka et al. (2019), and World Bank (2017) have emphasized that predictable and simplified tax structures are critical for maximizing the health and revenue impacts of tobacco taxation. Without greater policy coherence and stability, the potential of taxation as a tobacco control tool in Kenya remains underutilized.

Table 1: Tobacco Tax Systems in Kenya, 2003-2025

Year	Predominant Tax System
2003-2007	Four Specific Progressive Tiers based on price
2008-2010	Four specific progressive tiers based on price and the packs' physical features
2011-2015	Ad valorem tax with a minimum specific floor
2015-2017	Uniform Specific
2017-2018	Two specific tiers based on physical features
2019-2022	Two specific tiers based on physical features; inflation adjustments implemented
2023-2025	Two specific tiers based on physical features; inflation adjustments halted

Sources: Excise Duty Act 23 of 2015, Legal Notice 239 of 2018 (Excise Duty Act 2015); Finance Act 23 of 2019, Finance Act 2021/2022, Legal Notice 217 of 2021, Finance Act 2022/2023

### 1.3 Taxation of Novel Tobacco Products

In 2015, Kenya introduced the taxation of novel tobacco products through the Excise Duty Act, 2015. This legislation marked the first formal inclusion of electronic cigarettes (e-cigarettes) and related products in the country's excise tax framework.

In 2019, the Kenyan government introduced

excise taxes on e-cigarette refills as part of efforts to regulate the purchase and use of new tobacco products. These taxes were followed by steady annual increases, largely driven by inflation adjustments. In 2020, the tax adjustments were formalized under Legal Notice No. 194. By 2021, cigars, cheroots, and cigarillos containing tobacco were taxed at KES 13,906.04 per kilogram, as outlined in that year's Legal Notice (Table 2).

Table 2: Applicable Taxes on Tobacco Products in Kenya, 2018 to 2024

In the Finance Act and LN on inflation adjustment rates (before 2023 repeal):	Rate						
	2015	2018	2019	2020	2021	2022	2024
Cigars, cheroots and cigarillos containing tobacco KES per Kg	10,000	10,000	12,624	13,247.63	13,906.04	16,260.29	16,260.29
Electronic Cigarettes – KES per unit	3,000	3,000	3,787	3,974.08	4,171.59	40% of RP	40% of RP
Cigarettes with filters – KES per mille	2,500	2,500	3,157	3,312.96	3,477.61	4,067.03	4,100
Cigarettes without filter – KES per mille	1,800	1,800	2,272	2,384.24	2,502.74	2,926.41	4,100
Cartridge for use in electronic cigarettes KES per unit	2,000	2,525	2,525	2,649.74	2,781.43	40% of RP	40% of RP
Products containing nicotine...* (oral nicotine pouches) KES per kg					1,259.64	1,595.00	2,000
Liquid Nicotine for Electronic Cigarettes KES per millilitres						74.41	100
Other manufactured tobacco and manufactured tobacco substitutes: "homogenous" and "Reconstituted tobacco"; tobacco extracts and Essences – KES per kg	7,000		9,273.55	9,273.55	9,734.45	11,382.48	11,382.48

Sources: Excise Duty Act 23 of 2015, Legal Notice 239 of 2018 (Excise Duty Act 2015); Finance Act 23 of 2019, Finance Act 2021/2022, Legal Notice 217 of 2021, Finance Act 2022/2023.

Note: \*The full description is: Products containing nicotine or nicotine substitutes intended for inhalation without combustion or oral application and other manufactured tobacco substitutes that have been homogenized and reconstituted tobacco, tobacco extracts and essences

In the Finance Act 2021, the excise duty changes were made to incorporate products containing nicotine or nicotine substitutes intended for inhalation without combustion or oral application and other manufactured tobacco substitutes that have been homogenized and reconstituted tobacco, tobacco extracts and essences. In 2021, there was the introduction of the taxation of Liquid Nicotine for Electronic Cigarettes.

The methods of taxing novel tobacco products have changed since their introduction in 2015, as highlighted in the timeline below.

#### **Box 2: Taxation of Novel Tobacco Products**

In Kenya, the tax on the e-liquid refers to liquid nicotine for e-cigarettes. E-cigarette dealers can evade taxes on the e-liquid by selling liquid solutions that contain only flavours or are described as nicotine-free. The World Bank, therefore, recommends that:

- All e-liquids used in e-cigarettes should be taxed irrespective of whether they contain nicotine or not.
- The taxable products should be clearly defined to state what constitutes an e-cigarette product.
- Batteries, chargers, and charging cords if they are sold together with an e-cigarette product or if they are packaged together as one saleable item, should be taxed.
- The tax should cover the various parts of the device, including the cartridges if sold separately.
- Enforcement agencies should carry out compliance checks of retailers selling novel products to ensure applicable taxes have been paid and untaxed products are seized.

To prevent tobacco traders from evading tax by misdeclaring e-devices and their accessories at ports of entry, Kenyan authorities should make use of the appropriate Harmonized System (HS) Codes outlined by the World Customs Organization. They should apply HS Code 2403 to classify e-devices (this code defines other manufactured tobacco and manufactured tobacco substitutes, homogenized or reconstituted tobacco, and tobacco extracts and essences). Conversely, the authorities should avoid using HS Code 3824 (which defines chemical products, including those consisting of natural ingredients) or HS Code 8543 (which defines electrical machines and other apparatus).

Source: <https://kenya.tobaccocontroldata.org/en/home/tobacco-taxes/>

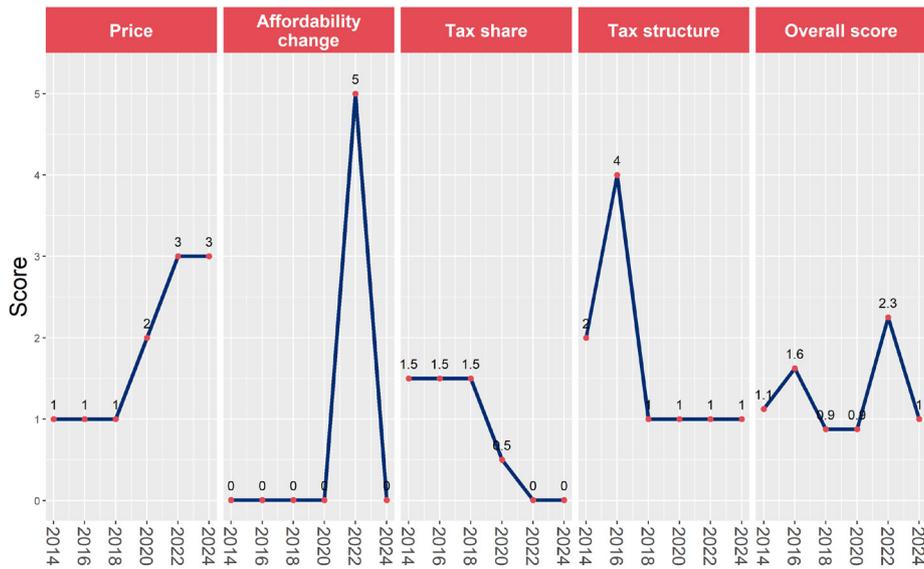
## **1.4 Ranking of Kenya's Tobacco Tax Policies**

Kenya's performance with respect to its tobacco taxes can be assessed using scorecards developed by Tobacconomics. The Tobacconomics Cigarette Tax Scorecard has been published since 2014 to assess and compare cigarette tax policies and outcomes across countries. The Scorecard uses a five-point scale to evaluate performance based on four key indicators: (i) cigarette price, (ii) the share of retail cigarette prices accounted for by taxes, (iii) changes in cigarette affordability, and (iv) the tax structure. Scores range from 0 to 5, where 0 reflects a very weak tobacco tax system, and 5 represents alignment with international best practices.

The Tobacconomics Cigarette Tax Scorecard shows a mixed trend for Kenya between 2014 and 2024. In 2014, Kenya recorded a score of 1.13, reflecting early efforts to strengthen tobacco tax policy but still

falling well below global best practices. By 2016, the score improved to 1.63, indicating some progress in areas such as tax rates or structure. However, this momentum was not sustained, as scores declined to 0.88 in both 2018 and 2020, signalling setbacks - due to policy reversals, insufficient tax increases, or weakening affordability control. Encouragingly, 2022 marked a substantial recovery, with Kenya achieving a score of 2.30 (Figure 1). This sharp improvement suggests significant policy reforms, stronger tax administration, or alignment with WHO FCTC recommendations. While progress has been uneven, the 2022 performance reflected a renewed commitment to tobacco control through taxation. However, this changes in 2024, as the overall score drops to 1.0, as well as the other components, notably affordability change. This indicates the effects of legislative action taken in 2023 via the Finance Act 2023 that repealed the inflation adjustment requirement from the Excise Duty Act, coupled with not increasing the tax rate and industry interference.

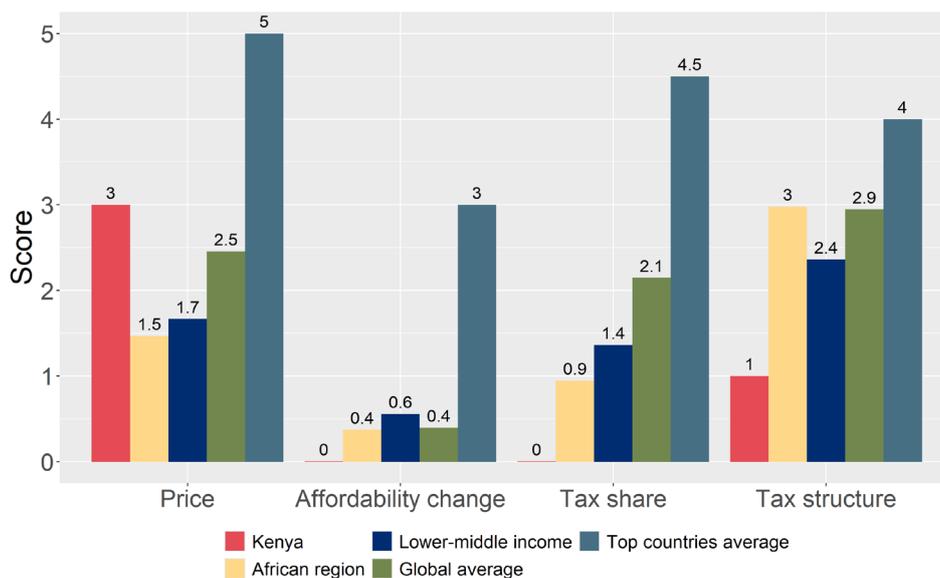
Figure 1: Kenya's Tobacco Taxation Score Cards, 2014 - 2024



Source of data: *Tobacconomics Cigarette Tax Scorecard*, available at <https://www.economicsforhealth.org/cigarette-tax-scorecard/ke/>

Kenya's tobacco tax policy has historically underperformed compared to both regional and global benchmarks. Its score falls below the average for middle-income countries (1.78), lower-middle-income countries (1.42), and the African region (1.36). Within East Africa, Kenya lagged behind neighbouring countries such as Rwanda (1.63) and Burundi (1.38) in 2021. Key weaknesses in Kenya's policy include the absence of improvements in affordability change, reflected in a consistent score of 0 from 2014 to 2020, a significant decline in the share of tax in the retail selling price (RSP) from 1.5 in 2018 to 0.5 in 2020, and a sharp drop in the tax structure score from 4 in 2016 to 1 in 2020. Whereas Kenya demonstrated progress in the price (scoring 3) and affordability change (scoring 5) in 2022, contributing to an overall score of 2.3, in 2024, the affordability change dropped to 0 despite the price remaining at 3, with the overall score recorded at 1. Kenya's scores for 2024 continued to show poor performance compared to the regional and global averages across most of the Scorecard components, as shown in Figure 2 below.

Figure 2: Kenya's scores compared to other countries in the 2024 Scorecard



Source of data: *Tobacconomics Cigarette Tax Scorecard*, available at <https://www.economicsforhealth.org/cigarette-tax-scorecard/ke/>

## 2. Legislative review on tobacco taxes in Kenya

A legislative review of Kenya's Tobacco Control Act (TCA) in relation to Article 6 of the WHO Framework Convention on Tobacco Control (FCTC) reveals both alignments and gaps, particularly concerning the taxation of novel tobacco products.

Article 6 of the WHO FCTC emphasizes the use of price and tax measures to reduce tobacco consumption. Kenya's TCA, enacted in 2007, establishes a framework for controlling tobacco production, sale, and use, including taxation measures. The Act empowers the government to impose taxes and duties on tobacco products as a means to discourage consumption and generate revenue for public health initiatives.

While the TCA provides a comprehensive approach to traditional tobacco products, it lacks specific provisions addressing novel tobacco products such as e-cigarettes, heated tobacco products, and nicotine pouches. This omission presents challenges in regulating these emerging products, which are gaining popularity, especially among the youth.

In response to the evolving tobacco landscape, the Kenyan Senate introduced the Tobacco Control (Amendment) Bill in 2024. This Bill seeks to amend the TCA to include regulations for novel tobacco products. Key proposals of the Bill include:

- Broadening the definition of tobacco products to encompass novel products.
- Implementing specific taxes on novel tobacco products to align with public health objectives.
- Extending advertising, promotion, and sponsorship restrictions to cover novel products.
- Mandating health warnings on packaging for novel tobacco products.

These amendments aim to bridge the regulatory gap and ensure comprehensive control over all tobacco-related products.

Kenya enacted the Excise Duty Act (Cap. 472) in 2015, later amending it, which aligns with and identifies areas for improvement in relation to

Article 6 of the WHO Framework Convention on Tobacco Control (FCTC), especially regarding the taxation of novel tobacco products. The Act imposes excise duties on various tobacco products, including filtered and unfiltered cigarettes, cigars, cigarillos, and other manufactured tobacco and substitutes. These measures reflect Kenya's commitment to using taxation as a strategy to reduce tobacco consumption, in line with FCTC guidelines.

Recognizing the emergence of novel tobacco products, the Excise Duty Act has been amended to include specific provisions for: electronic cigarettes; other nicotine delivery devices; liquid nicotine for electronic cigarettes; and products containing nicotine or nicotine substitutes intended for inhalation without combustion or oral application (excluding medicinal products approved by the Cabinet Secretary for Health). These amendments indicate proactive steps by the Kenyan government to regulate and tax emerging tobacco products, aligning with the FCTC's call for comprehensive tobacco control measures.

Despite these advancements, certain areas require attention to fully align with Article 6 of the FCTC. These areas include:

- The tax structure is differentiated between traditional and novel tobacco products. A uniform tax policy could prevent consumers from switching to lower-taxed alternatives, thereby maintaining the effectiveness of tobacco taxation as a deterrent.
- The need to reinstate the annual inflation adjustments to maintain the real value of tobacco taxes. Although the Act provides for annual inflation adjustments, this provision was *suspended* in 2023.
- The need for continuous legislative updates for new tobacco products to prevent regulatory gaps. A legislative review of Kenya's Finance Acts and Bills from 2012 to 2024, in relation to Article 6 of the WHO Framework Convention on Tobacco Control (FCTC), reveals that Kenya has generally had progressive alignment with international standards with regard to taxation of traditional and novel tobacco products. The country has implemented:

- The Tax Laws (Amendment) Act, 2024, which introduced a **uniform excise duty rate** of KES 4,100 per mille for both filtered and non-filtered cigarettes, eliminating price disparities that previously encouraged consumption of cheaper products.
- Excise duty rates have been periodically adjusted (between 2019 and 2022) to account for inflation and changing consumption patterns, maintaining the real value of taxes and their deterrent effect.

Recognizing the emergence of novel tobacco products, Kenya has taken proactive steps to tax these items.

- The Finance Bill, 2024, proposed increasing the excise duty on liquid nicotine for electronic cigarettes from KES 70 to KES 100 per millilitre.
- Products containing nicotine or nicotine substitutes intended for inhalation (excluding medicinal products) are subject to an excise duty of KES 2,000 per kilogram.

These measures aim to prevent the proliferation of novel tobacco products, particularly among youth, by making them less affordable and accessible. Despite significant progress, certain areas require attention to fully align with Article 6 of the FCTC. These areas include the need to:

- Ensure comprehensive coverage of novel tobacco products through continuous monitoring and inclusion of emerging products to prevent regulatory gaps.
- Enhance public education campaigns to inform citizens about the health risks associated with both traditional and novel tobacco products.
- Strengthening enforcement to prevent illicit trade and ensure compliance with tax regulations is essential for the effectiveness of these measures.

### 3. Analysis of current tobacco taxation measures in Kenya against global best practices

Taxation of novel tobacco products—such as heated tobacco products (HTPs), electronic nicotine delivery systems (ENDS), and electronic non-nicotine delivery systems (ENNDS) is a growing priority in global tobacco control. The WHO Framework Convention on Tobacco Control (WHO FCTC) and international best practices offer guidance to ensure these products are taxed effectively to protect public health and prevent youth uptake.

While the WHO FCTC does not provide product-specific tax rates, its Article 6 guidelines emphasise that all tobacco products, including novel ones, should be taxed comparably to discourage substitution and reduce affordability. Key principles include:

- Applying consistent or uniform tax rates across all tobacco products to prevent users from switching to lower-taxed alternatives.
- Implementing substantial excise taxes to increase retail prices, thereby reducing consumption and generating government revenue.
- Periodically reviewing and adjusting tax rates to account for inflation and income growth, ensuring that tobacco products do not become more affordable over time.

Countries worldwide are adopting various approaches to tax novel tobacco products effectively. These strategies aim to reduce consumption, particularly among youth, and address the evolving tobacco product landscape.

- Some countries tax heated tobacco products (HTPs) at rates equivalent to or higher than traditional cigarettes to deter use and prevent market shifts.
- As for the Electronic Nicotine Delivery Systems (ENDS), the best practices include taxing e-liquids uniformly, regardless of nicotine content, and considering taxes on devices themselves.

Although heated tobacco products (HTPs) are currently taxed under the **Excise Duty Act (Cap. 472)**, they are classified and taxed differently from traditional cigarettes. The Electronic Nicotine Delivery Systems (ENDS), including e-cigarettes and e-liquids, are currently regulated under the **Excise Duty Act**. However, the taxation framework for ENDS is still relatively underdeveloped compared to the best international practices.

- Implementing specific taxes based on quantity (e.g., per millilitre for e-liquids) and ad valorem taxes based on price to capture a broad tax base.

- Establishing clear definitions and classifications for novel products to close loopholes and ensure consistent taxation.

Effective taxation of novel tobacco products requires comprehensive strategies that align with WHO FCTC guidelines and global best practices. By implementing uniform and substantial taxes, regularly adjusting rates, and considering the unique characteristics of these products, governments can reduce consumption, prevent youth uptake, and promote public health.

Table 3: Taxation on Novel Tobacco Products

2015	Excise Duty Act	Introduction of a Uniform Specific Tax Rate
2018	Legal Notice 239/2018	Introduction of the Taxation on e-cigarette refills.
2019	Finance Act	Increase in taxation levels due to inflation rates for each category of tobacco products
June 2021	Finance Act	Introduction of incorporation of excise duty on products containing nicotine/nicotine substitutes intended for inhalation without combustion/oral application; and other manufactured tobacco substitutes that have been homogenized and reconstituted tobacco, tobacco extracts and essences.
November 2021	Legal Notice 217/2021	Increase in taxation levels due to inflation rates for each category of tobacco products
2022	Finance Act	Introduction of the taxation of Liquid Nicotine for Electronic Cigarettes
October 2022	Legal Notice 176/2022	Increase in taxation levels due to inflation rates for each category of tobacco products (excluding e-cigarettes and other nicotine devices and cartridges used in e-cigarettes)
2024	Tax Laws (Amendment) Act	Increase in tax rates for oral nicotine pouches and liquid nicotine for e-cigarettes, as well as plain and filtered cigarettes.

## 4. Scenario-building for tobacco tax measures

This section analyses the impact of Kenya's tobacco taxation policies on the price of cigarettes, the demand for tobacco products, and government revenue from tobacco taxes. The section presents findings from the Tobacco Excise Tax Simulation Model (TETSIM) for Kenya, which examines how changes in cigarette excise taxes could influence prices, affordability, consumption, smoking prevalence, premature deaths, and government revenue between 2025 and 2029. The analysis shows that stronger tobacco taxes could significantly reduce smoking, prevent thousands of premature deaths, and generate additional public resources, thus supporting Kenya's goals of protecting population health and enhancing

fiscal space for development priorities.

### 4.1 Results of the Tobacco Excise Tax Simulation Model (TETSIM) for Kenya.

In December 2024, Kenya reformed its tobacco excise system by introducing a **uniform specific excise tax of KES 4,100 per 1,000 cigarettes** for both filtered and unfiltered products. While this reform simplified the tax structure, its real value will gradually decline over time if it is not adjusted to keep pace with income growth and inflation. This section examines how Kenya's tobacco market is likely to evolve between **2025 and 2029** under different tax policy paths using results from the Tobacco Excise Tax Simulation Model (TETSIM) for Kenya.

### Box 1: How Future Tobacco Tax Impacts Were Estimated

This brief mainly draws on new evidence from the Tobacco Excise Tax Simulation Model (TETSIM), a policy tool used internationally to estimate how changes in tobacco taxes affect prices, affordability, consumption, government revenue, and tobacco-related deaths. The model incorporates Kenya-specific data, including current cigarette prices, market shares of different price segments, smoking prevalence, and estimates of how consumers respond to price changes (price elasticities). It also accounts for expected population growth, income growth, and inflation, which shape future tobacco demand. The analysis covers the period 2025–2029, using 2024 as the base year.

The simulations reflect Kenya’s most recent tobacco tax reform under the Tax Laws (Amendment) Act, 2024, which set a uniform excise rate of KES 4,100 per 1,000 cigarettes starting in 2025. This rate forms the starting point for all projections. A status quo scenario assumes this tax remains unchanged in real terms and serves as a benchmark to show the consequences of inaction. The study then models alternative reform paths beginning in 2026: annual excise increases of 20 per cent (moderate reform), 30 per cent (strong reform), and 50 per cent (very ambitious reform). Each scenario estimates resulting changes in cigarette prices, affordability, legal and illicit consumption, smoking prevalence, premature deaths, and government excise tax revenue. Comparing these scenarios shows how stronger tax policy can accelerate health gains while expanding fiscal space.

The objective of including the radical reforms is to assess the impacts of reforms that would move Kenya towards the WHO-recommended 75 per cent tax share of the retail price by significantly raising taxes over a five-year period. The model incorporates the affordability index, which is defined as the percentage of per capita GDP required to purchase 2,000 popular-price cigarettes.

### Results: Simulated scenarios

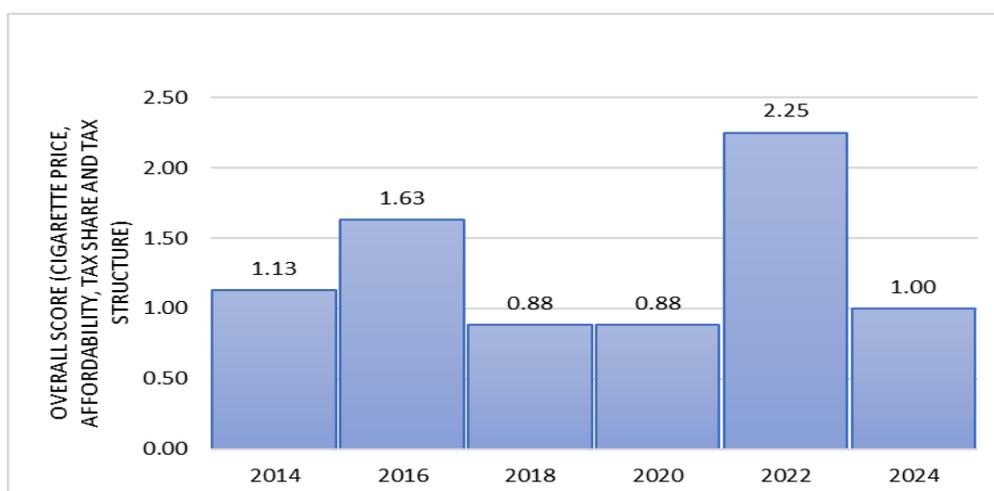
#### 4.1.1 Scenario 1: Maintaining the Status Quo

This scenario assumes that the uniform excise tax introduced in December 2024, considered a best-practice reform, remains unchanged over the next five years. In other words, tobacco excise taxes are not increased during this period. As detailed below, this will result in only modest increases in real cigarette prices, cigarettes remaining relatively affordable, total cigarette consumption rising and real tobacco tax revenues declining over time. Under this scenario, there is no meaningful reduction in the burden of tobacco-related disease and no sustained revenue growth.

#### i. Impact on prices and affordability

**Historical evidence indicates that cigarette prices remain below the levels required to achieve the largest public health and revenue gains.** Evidence from the Economics for Health Cigarette Tax Scorecard (4<sup>th</sup> edition) shows that Kenya ranks in the mid-range globally, with an overall score of about 2.6 out of 5 across 171 countries for cigarette price and tax policy progress between 2014 and 2024. This indicates that, relative to global best practice, cigarette prices in Kenya have not increased rapidly enough to significantly reduce affordability and curb tobacco use (see Figure 2 and note below the Figure).

Figure 3: Overall Cigarette Tax Score for Kenya out of a maximum score of 5\* (2014-2024)



Note: \*A score of 5 indicates a country has achieved top-tier, best-practice tobacco tax policies. This rating signifies a cigarette price of at least 10.0 International Dollars (PPP), an annual affordability reduction of 7.5% or more, a total tax share of 75% or higher, and a dominant, inflation-adjusted, specific excise tax structure.

**Under the status quo, cigarette prices rise only modestly in real terms, and cigarettes remain affordable.** The average real retail price increases from KES 369 per pack in 2024 to KES 530 in 2029, a cumulative rise of 34 per cent over five years. However, income growth offsets much of this price increase. As a result, cigarette affordability changes very little, with the affordability index declining from 13.89 per cent to 13.48 per cent. This indicates that cigarettes do not become meaningfully less affordable over time, weakening the effectiveness of tobacco taxation as a public health tool (Table 1).

### ii. Impact on Consumption and Smoking Prevalence

**With cigarettes remaining affordable, total cigarette consumption is expected to rise if excise taxes are not increased.** Overall consumption is expected to increase from 7.75 billion sticks in 2024 to 8.01 billion sticks in 2029, a growth of 2.7 per cent. Legal cigarette

sales rise even faster, while illicit consumption declines slightly. Smoking prevalence falls only gradually, from 7.15 per cent to 6.54 per cent, reflecting demographic changes and existing tobacco control measures rather than strong price effects. These modest reductions indicate that current tax levels, if left at the same rate, are insufficient to drive substantial declines in tobacco use (Table 1).

### iii. Impact on Revenue Performance

**Despite higher nominal prices, the real value of tobacco tax revenue is expected to decline over time.** Real excise revenue is simulated to decline from KES 15.6 billion in 2024 to KES 13.0 billion in 2029, a nearly 14 per cent reduction. The excise tax share of the retail price drops sharply from 23.6 per cent to 16.8 per cent, while the total tax share falls from 37.4 per cent to 30.6 per cent. This erosion reduces the effectiveness of the tax system in both discouraging smoking and generating sustainable revenue (Table 4).

Table 4: Summary of TETSIM Model Results for Status Quo (No Change in Excise Tax)

Indicator	Uniform tax rate of KES 4,100 per mille (Base Year)	2026 (uniform tax of KES 4,100 per mille)	2029 (uniform tax of KES 4,100 per mille)	Overall performance to 2029*
Average real retail price (KES/pack)	369	425	530	↑ Slightly improved
Affordability Index (%)	13.89%	13.66%	13.48%	↓ Slightly deteriorated
Total cigarette consumption (million sticks)	7,746	7,852	8,007	↓ Deteriorated
• Legal	5,422	5,608	5,857	↓ Deteriorated
• Illicit	2,324	2,244	2,150	↑ Slightly improved
Smoking prevalence (%)	7.15%	6.89%	6.54%	↑ Slightly improved
Premature deaths averted (thousands)	–	10.20	26.15	↑ Slightly improved
Real excise tax revenue (million KES)	15,607	14,599	12,997	↓ Deteriorated
Excise tax share of price	23.6%	20.7%	16.8%	↓ Deteriorated
Total tax share of price	37.4%	34.5%	30.6%	↓ Deteriorated

Source: TETSIM Model for Kenya, 2025

**\*Deteriorated** - significant decline in performance on high industry interference; **slightly deteriorated** - minor negative shift; **slightly improved** - initial positive progress or a small reduction in interference; and **improved** - significant positive progress and clear evidence of better control.

#### iv. Health Implications

**Because smoking declines only slowly, health gains under the status quo are limited.** The model projects that approximately 26,150 premature deaths would be averted over the five-year period, which is a relatively small impact compared to what could be achieved with stronger tax increases. Without tax increases, Kenya risks continued tobacco-related disease burden and lost opportunities to protect future generations.

#### v. Use of Inflation adjustments with no further excise tax increases

When the excise tax is adjusted for inflation annually, the outcomes for public health and government revenue improve compared to the “status quo” scenario without such adjustments. The average retail prices of cigarettes are higher (than the status quo) and increase by Ksh. 30, relative to the status quo scenario by 2029. Cigarettes become less affordable with adjustments. Inflation adjustment prevents a 2.7 per cent growth in consumption and a 14 per cent revenue erosion, gaining KES 3.2 billion while averting an additional 7,140 preventable deaths (Table 5). Although there are gains, these are generally small changes.

**Table 5: Summary of TETSIM Model Results with inflation adjustment (No Change in Excise Tax)**

Indicator	Uniform tax rate of KES 4,100 per mille (Base Year)	2026 (uniform tax of KES 4,100 per mille)	2029 (uniform tax of KES 4,100 per mille)	Overall performance to 2029
Average real retail price (KES/pack)	369	435	560	↑ Slightly improved
Affordability Index (%)	13.89%	13.98%	14.19%	↑ Slightly improved
Total cigarette consumption (million sticks)	7,746	7,770	7,816	↓ Slightly deteriorated
• Legal	5,422	5,506	5,621	↓ Slightly deteriorated
• Illicit	2,324	2,264	2,194	↑ Slightly improved
Smoking prevalence (%)	7.15%	6.86%	6.46%	↑ Slightly improved
Premature deaths averted (thousands)	–	13.34	33.29	↑ Slightly improved
Real excise tax revenue (million KES)	15,607	15,848	16,180	↑ Slightly improved
Excise tax share of price	23.6%	22.3%	20.4%	↓ Slightly deteriorated
Total tax share of price	37.4%	36.0%	34.2%	↓ Slightly deteriorated

Source: TETSIM Model for Kenya, 2025

### 1.1.2 Impacts of Stronger Tobacco Taxes (20%, 30% and 50% Annual Increase Scenarios)

Increasing the excise tax rate annually by either 20, 30 or 50 per cent from 2025 through 2029 would deliver measurable public health and fiscal benefits.

#### i. Price and affordability effects

**Stronger excise increases lead to substantial and sustained growth in cigarette prices, making smoking progressively less affordable.**

Under a **20 per cent annual increase**, the average real retail price rises from KES 369 per pack in 2024 to KES 636 in 2029, an increase of about 61 per cent. This pushes the affordability index up from 13.89 per cent to 16.04 per cent, meaning smokers must spend a larger share of their income to purchase cigarettes.

**Under a 30 per cent annual increase, price growth is even steeper.** The average real retail price reaches KES 713 in 2029, about 80 per cent higher than in 2024. Cigarettes become significantly less affordable, with the affordability index rising to 17.91 per cent. In both cases, price increases outpace income growth, reversing the affordability trend seen under the status quo.

**Under a 50 per cent annual increase, cigarette prices rise rapidly and consistently over time, producing the strongest reduction in affordability among the policy scenarios.** The average real retail price is projected to increase from KES 369 per pack in 2024 to KES 928 in 2029, an increase of approximately 151.5 per cent. As prices rise much faster than income growth, cigarettes become markedly less affordable. The affordability index increases from 13.89 per cent to 23.17 per cent, indicating that smokers need to allocate a substantially larger share of income to purchase cigarettes. This sustained erosion of affordability represents a decisive shift away from the status quo and strengthens the expected public health impact of the tax policy (see Annex Table 1).

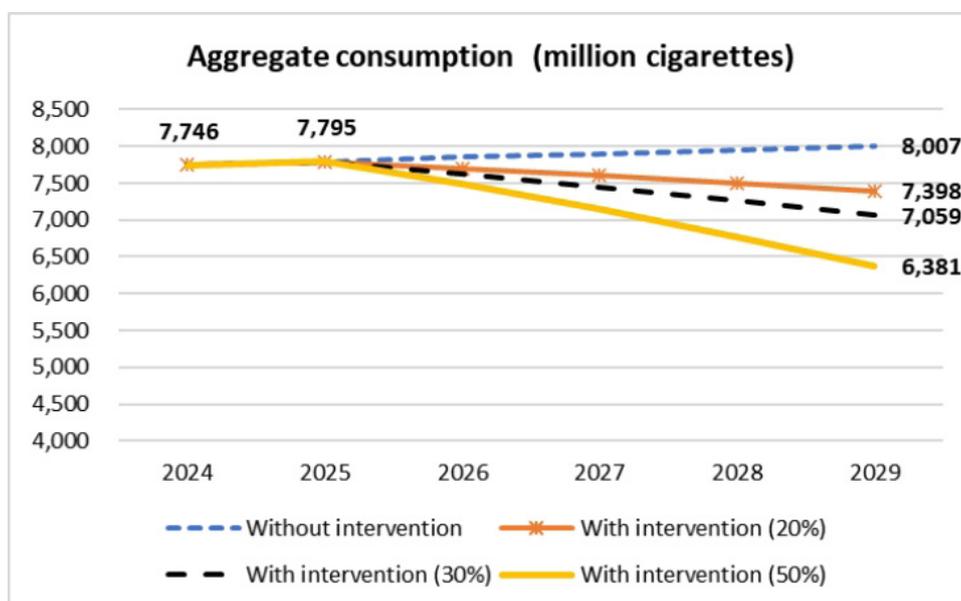
#### ii. Changes in Cigarette Consumption

**Higher prices translate into clear reductions in cigarette consumption, with stronger tax increases producing larger declines.** With a **20 per cent annual increase**, total consumption is expected to fall from 7.75 billion sticks in 2024 to 7.40 billion in 2029, a reduction of about 5 per cent. Legal cigarette sales decline more sharply (by 7.4 per cent), while illicit consumption rises only marginally, leaving overall use lower (Figure 3).

**With a 30 per cent annual increase, the demand reduction is expected to be much larger.** Total consumption is simulated to fall to 7.06 billion sticks in 2029, a 9.4 per cent decline from baseline. Legal sales drop by more than 15 per cent. Although illicit consumption increases modestly, this does not offset the overall contraction in the cigarette market. The stronger price signal, therefore, delivers a deeper and more sustained reduction in tobacco use (Figure 3). Stricter enforcement measures can be used to tackle illicit consumption.

**With a 50 per cent annual increase, the demand reduction is projected to be much larger than the lower tax rate scenarios.** Total consumption is projected to decline to 6.38 billion sticks by 2029, representing a 17.6 per cent reduction from the baseline. Legal sales fall sharply by nearly 30 per cent, reflecting the strong responsiveness of demand to sustained price increases. Although illicit consumption rises slightly, the increase is small relative to the overall decline in cigarette use and does not offset the total reduction in market size. This scenario, therefore, produces the most pronounced and durable decline in tobacco consumption among the policy options considered (Figure 3).

Figure 4: Consumption across the simulated scenarios (20%, 30%, and 50%)

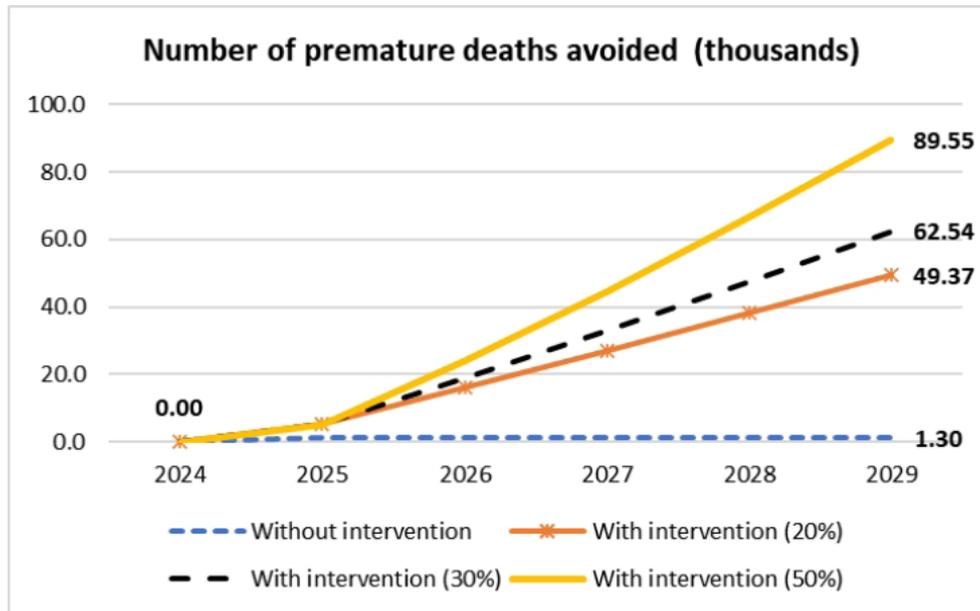


Source: TETSIM Model for Kenya, 2025

#### i. Health Gains: Reduced Smoking and Deaths Averted

- **Reductions in smoking prevalence and averted tobacco-related deaths are larger under higher tax increases.** A 20 per cent annual increase reduces smoking prevalence from 7.15 per cent to 6.28 per cent, a 10.5 per cent relative decline, and is projected to avert about **49,370 premature deaths**.
- **A 30 per cent annual increase delivers even stronger health gains.** Smoking prevalence falls further to 6.14 per cent, representing a 12.5 per cent reduction. The model projects approximately **62,540 premature deaths averted**. These results highlight how steeper and sustained tax increases translate directly into premature deaths averted.
- **A 50 per cent annual increase improves the potential health gains.** Smoking prevalence is projected to fall to 5.84 per cent, representing a 18.3 per cent reduction. The model projects approximately **89,550 premature deaths averted**.
- **Lower smoking rates translate directly into premature deaths averted.** Under the **no-change scenario**, only a limited number of premature deaths are averted because smoking declines slowly. The **20 per cent increase** is expected to prevent many more premature deaths as smoking falls more steadily. The **30 per cent scenario** produces even larger health gains, with a substantial rise in the number of premature deaths averted. The **50 per cent annual increase** delivers the greatest public health benefit of all, averting the highest number of premature deaths by 2029, at nearly 90,000 premature deaths averted. The results show that stronger tax policies lead to faster and larger improvements in population health (Figure 4).

Figure 5: Premature deaths averted across the simulated scenarios

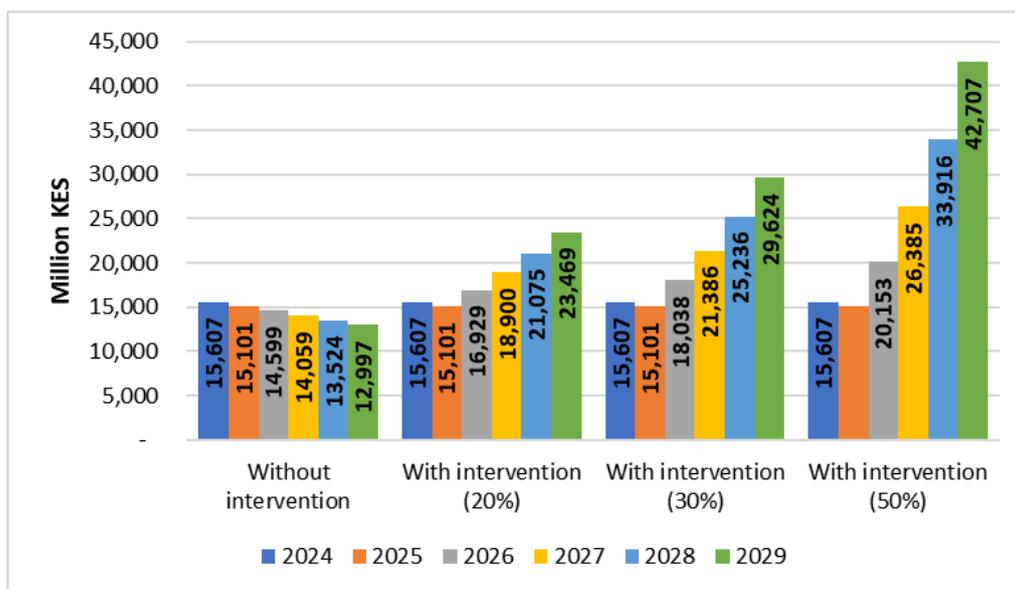


Source: TETSIM Simulation Model for Kenya 2025

### i. Revenue Effects

- **Despite falling consumption, government revenues increase substantially under all reform options, with larger gains under higher rates.** Under a **20 per cent annual increase**, real excise revenue rises by over 55 per cent, reaching KES 23.5 billion by 2029. The excise tax share of price increases steadily, strengthening the tax's effectiveness (Figure 4).
- **Under a 30 per cent annual increase, revenue gains are expected to be more pronounced.** Real excise revenue nearly doubles, reaching KES 29.6 billion in 2029, a 96 per cent increase from baseline. The excise share of price climbs to over one-third of the retail price, moving Kenya closer to the WHO-recommended share of 75 per cent (Figure 4).
- **The 50 per cent annual increase represents the most aggressive reform scenario, yielding the highest revenue gains and public health impact.** Real excise revenue is expected to more than double by 2029, reaching KES 42.7 billion. The excise tax share of the retail price is projected to reach approximately 49.5 per cent (Figure 5). While this scenario brings Kenya significantly closer to the WHO-recommended 75 per cent excise tax share, it still leaves a gap of roughly 25.5 per centage points from that target.

Figure 6: Excise tax revenue assuming annual increases of 20%, 30% and 50% relative to the status quo



Source: TETSIM Simulation Model for Kenya 2025

Consumption Impact: This scenario leads to the largest reduction in tobacco consumption, reinforcing the dual benefit of high revenue generation alongside improved public health outcomes.

### 1.1 Adding Inflation Adjustment to Proposed Annual Tax Increases

The above results assume that no inflation adjustment was included. Based on the comparison between Table A1 and Table A2 in the Annex, adding an inflation adjustment to the proposed annual tax increases significantly amplifies both public health gains and fiscal returns. While a flat percentage increase is effective, indexing for inflation ensures that the real value of the tax is not eroded by rising prices in the broader economy.

When inflation adjustment is applied to the 30 per cent and 50 per cent scenarios. The main changes include:

#### 1.1.1 Accelerated price growth and reduced affordability

**Inflation adjustment amplifies the impact of excise tax increases on retail cigarette prices.** Without it, a 30 per cent annual increase brings the 2029 price to KES 713; however, with inflation adjustment, that price climbs to KES 796. By 2029, under the 50 per cent scenario

with inflation adjustment, the affordability index hits 26.76 per cent (compared to 23.17% without). This ensures that even if consumer incomes rise, cigarettes become less affordable, preventing the risk of smokers maintaining their habits through increased purchasing power.

#### 1.1.2 Deepening the decline in consumption

**Adding inflation adjustment triggers a more substantial drop in total cigarette use by closing loopholes created by a rising cost of living.** In the 30 per cent scenario, total consumption drops to 6.76 billion sticks with inflation adjustment, roughly 300 million fewer sticks than the non-adjusted scenario. The 50 per cent scenario represents the most aggressive health intervention, driving consumption down to 6.06 billion sticks. While illicit trade rises slightly more under this scenario (reaching 2.68 billion sticks), the overall contraction of the market remains much more significant.

### 1.1.3 Maximising health outcomes

**The most striking difference is seen in the number of premature deaths averted.** Inflation adjustment ensures a steeper decline in smoking prevalence, leading to a bonus in premature deaths averted.

- At a 30 per cent annual increase in excise tax, together with an inflation adjustment, averts an additional 11,800 premature deaths (74,350 total premature deaths averted vs. 62,540 without inflation adjustment). At a 50 per cent increase, the impact peaks at 102,570 premature deaths averted by 2029.

### 1.1.4 Fiscal strength and revenue security

For the National Treasury, inflation adjustment provides a significant revenue increase while moving the tax structure toward international best practices and the excise tax share to retail price towards the recommended share.

Scenario (2029)	Real Excise Revenue (No Inflation Adjustment)	Real Excise Revenue (With Inflation Adjustment)	Revenue Gain from Indexing
30% Increase	KES 29.6 Billion	KES 35.3 Billion	+ KES 5.7 Billion
50% Increase	KES 42.7 Billion	KES 49.2 Billion	+ KES 6.5 Billion

By 2029, the total tax share of the price under the 50 per cent inflation-adjusted scenario reaches 64.7 per cent, nearing the World Health Organisation's (WHO) recommended benchmark of 75 per cent. The tax, combined with adjustment, would reach the lowest smoking rates in Kenya's history.

TETSIM also includes income growth. Cigarettes may still become more affordable, because people's real purchasing power rises. For this reason, the WHO and TETSIM policy scenarios recommend excise tax increases that must exceed inflation (and often income growth) to reduce affordability.

## 1.2 Policy Implications for Kenya

**The findings from this analysis point to clear policy actions for strengthening the effectiveness of tobacco taxation in Kenya.**

A predictable excise tax path with automatic adjustments that exceed inflation is critical to maintaining the health and fiscal impact of tobacco taxes over time. When excise rates are not updated regularly, their real value is gradually eroded by inflation and rising incomes. Under the status quo scenario, cigarette prices increase only slightly while incomes continue to grow, keeping cigarettes broadly affordable and weakening the intended public health impact of the tax. As affordability improves, consumption stabilises or even rises, and the real value of government revenue declines. In contrast, reform scenarios with annual excise increases of 20–30 per cent

show that when tax adjustments outpace both inflation and income growth, cigarettes become progressively less affordable. This leads to faster reductions in smoking, prevents future uptake, and generates sustained growth in real government revenue.

The study proposes the need to:

- 1. Adopt a predictable, medium-term excise tax path with automatic above-inflation adjustments.** A clear and pre-announced schedule of annual tobacco excise increases that exceed inflation is essential to sustain both the health and revenue impact of tobacco taxation. Predictability strengthens policy credibility, supports revenue planning, and ensures that tax policy keeps pace with economic growth.

2. **Avoid policy stagnation that allows inflation and income growth to erode tax effectiveness.** When excise rates are not adjusted regularly, their real value declines over time. Under such a status quo path, cigarette prices rise only marginally while incomes continue to grow, making tobacco products increasingly affordable. This weakens the public health impact of taxation, slows reductions in smoking, and leads to declining real government revenue.
3. **Ensure annual excise increases outpace both inflation and income growth to reduce affordability.** Simulation results show that annual excise increases of 20–30 per cent significantly reduce cigarette affordability over time. As prices rise faster than incomes, smoking prevalence falls more rapidly, future uptake is discouraged, and government revenue grows in real terms. This demonstrates that strong tobacco tax policy can deliver a double dividend for health and fiscal space.

## 5. The challenges affecting the effective advocacy, adoption and implementation of effective tobacco tax measures

Implementing effective tobacco tax measures in Kenya faces multifaceted challenges spanning political-economic dynamics, public perception, and persistent industry interference.

1. **Political and economic factors**
  - There is perceived risk among policymakers that higher tobacco taxes could lead to increased smuggling and illicit trade, undermining tax revenues and public health goals. This has made tax-related advocacy interventions by adopting best practices difficult.

- Limited financial resources can hinder the government's ability to enforce tobacco control laws effectively, including tax collection and monitoring mechanisms.

### 2. Public and social factors

- A lack of widespread understanding about the health risks of tobacco use and the benefits of taxation as a deterrent can result in minimal public pressure on policymakers to enact stronger tax measures.
- In some communities, tobacco use is culturally ingrained, making it challenging to shift public attitudes and behaviors through taxation alone.
- The introduction and marketing of novel tobacco products, such as nicotine pouches, have gained popularity among Kenyan youth, complicating efforts to regulate and tax these products effectively.

### 3. Industry interference

- Tobacco companies have historically used litigation to delay or overturn tobacco control regulations, including tax measures. These legal battles can stall policy implementation for years. These include the delayed implementation of Tobacco Control Regulations 2014 following a petition filed by BAT in April 2014, which dragged on for five years until finally determined by the Supreme Court in November 2019.
- Tobacco companies often engage in CSR activities to build goodwill and deter criticism, potentially influencing public opinion and policymaker decisions.

## 6. Strategic advocacy strategies and avenues for engagement

Advancing the tobacco tax agenda in Kenya requires a multifaceted advocacy approach that addresses political, economic, social, and industry-related challenges. Below are strategic advocacy strategies and avenues for engagement:

- Establish and strengthen alliances like the Kenya Tobacco and Nicotine Tax Coalition (KTNTC), which unites civil society organisations focused on policy advocacy, cancer prevention, and non-communicable diseases (NCDs). Such coalitions can amplify advocacy efforts and present a unified front.
  - Involve ministries beyond health, such as finance, education, and youth affairs, to integrate tobacco taxation into broader development agendas.
  - Conduct and disseminate research on the health and economic impacts of tobacco use and taxation. Sharing findings with policymakers can inform and justify tax reforms.
  - Monitor, document, and expose tactics used by the tobacco industry to influence policy, such as lobbying and misinformation campaigns. Transparency can mitigate undue influence.
  - Organise public forums and educational campaigns to raise awareness about the harms of tobacco and the benefits of taxation. Engaged communities can exert pressure on policymakers.
  - Utilise traditional and social media to disseminate messages, counter industry narratives, and highlight advocacy successes.
- Hold meetings with legislators, finance committees, and other relevant bodies to present evidence and advocate for tax increases. Personalised engagement can be more persuasive.
  - Develop clear, evidence-based policy recommendations for tobacco taxation, including specific rates and structures aligned with WHO guidelines.
  - Provide training for civil society members, health professionals, and community leaders on effective advocacy techniques and the intricacies of tobacco taxation.
  - Support the development of robust institutions capable of implementing and enforcing tobacco tax policies.
  - Engage with international organisations and countries that have successfully implemented tobacco taxes to learn from their experiences and adapt strategies to the Kenyan context.
  - Ensure that advocacy efforts are in line with international commitments, such as the WHO Framework Convention on Tobacco Control (FCTC), to bolster legitimacy.
  - Continuously assess and update tobacco tax policies to address emerging products and industry strategies effectively.
  - Complement taxation measures with public education initiatives highlighting the health risks associated with all tobacco products, traditional and novel alike.
  - Work with neighbouring countries to harmonise tobacco tax policies, reducing the risk of cross-border smuggling and creating a unified front against industry tactics.

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## Annexes

**Table A1: Summary of TETSIM Model Results with an annual tax increase of 30 per cent and 50 per cent without inflation adjustment**

Indicator	Uniform tax rate (KES 4,100 per mille) (Base Year)	30 per cent		50 per cent		Overall performance to 2029
		2026	2029	2026	2029	
Average real retail price (KES/pack)	369	454	713	474	928	↑ Improved
Affordability Index (%)	13.89%	14.57%	17.91%	15.18%	23.17%	↑ Improved
Total cigarette consumption (million sticks)	7,746	7,630	7,059	7,495	6,381	↑ Improved
• Legal	5,422	5,330	4,674	5,161	3,802	↑ Improved
• Illicit	2,324	2,300	2,385	2,334	2,580	↓ Slightly deteriorated
Smoking prevalence (%)	7.15%	6.80%	6.14%	6.74%	5.84%	↑ Improved
Premature deaths averted (thousands)	–	18.81	62.54	24.02	89.55	↑ Improved
Real excise tax revenue (million KES)	15,607	18,038	29,624	20,153	42,707	↑ Improved
Excise tax share of price	23.6%	24.9%	34.2%	27.4%	45.8%	↑ Improved
Total tax share of price	37.4%	40.4%	53.2%	41.2%	59.6%	↑ Improved

Source: TETSIM Model for Kenya, 2025

**Table A2: Summary of TETSIM Model Results with an annual tax increase of 30 per cent and 50 per cent combined with inflation adjustment**

Indicator	Uniform tax rate (KES 4,100 per mille) base year	30 per cent		50 per cent		Overall performance to 2029
		2026	2029	2026	2029	
Average real retail price (KES/pack)	369	468	796	489	1,074	↑ Improved
Affordability Index (%)	13.89%	14.99%	19.93%	15.66%	26.76%	↑ Improved
Total cigarette consumption (million sticks)	7,746	7,536	6,759	7,395	6,061	↑ Improved
• Legal	5,422	5,213	4,292	5,036	3,376	↑ Improved
• Illicit	2,324	2,323	2,467	2,360	2,684	↓ Slightly deteriorated
Smoking prevalence (%)	7.15%	6.76%	6.01%	6.69%	5.70%	↑ Improved
Premature deaths averted (thousands)	–	22.43	74.35	27.89	102.57	↑ Improved
Real excise tax revenue (million KES)	15,607	19,504	35,279	21,740	49,196	↑ Improved
Excise tax share of price	23.6%	26.6%	39.4%	29.2%	50.9%	↑ Improved
Total tax share of price	37.4%	40.4%	53.2%	43.0%	64.7%	↑ Improved

Source: TETSIM Model for Kenya, 2025

